



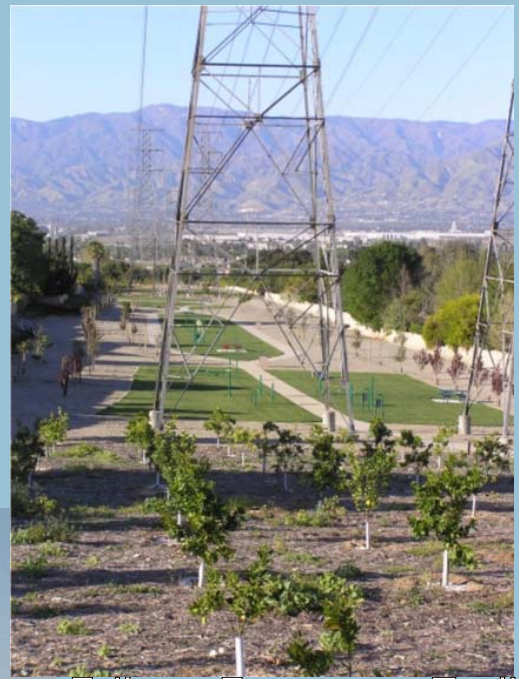
City of Loma Linda, California

Comprehensive Annual Financial Report

GASB 34 Edition

Fiscal Year Ended June 30, 2006

Recent Developments



Edison Easement Trail



Park Lane Housing



Mission Trails Park



Beaumont Bridge Relocation



**CITY OF LOMA LINDA
LOMA LINDA, CALIFORNIA**

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2006

Prepared by:
City Manager's Office
Finance Department

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CITY OF LOMA LINDA
Comprehensive Annual Financial Report
For the year ended June 30, 2006

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Introductory Section





City of Loma Linda

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December 12, 2006

To the Honorable Mayor, Members of the City Council, and Citizens of Loma Linda:

It is with great pleasure that we present to you the City of Loma Linda's audited Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2006. The financial statements contained in this report are presented in conformity with generally accepted accounting principles (GAAP) and have been audited in accordance with generally accepted auditing standards (GAAS) by an independent certified public accountants firm.

The Comprehensive Annual Financial Report includes the financial activity for all funds of the City and the Redevelopment Agency. Although the format of the financial statements and footnotes has changed under Governmental Accounting Standards Board (GASB) Statement No. 34, the organization of the report continues to follow the same three major sections as prepared under prior to the GASB 34 format, including the Introductory Section, the Financial Section, and the Statistical Section. Additionally, as part of the GASB efforts to improve financial reporting Statement No. 44, *Economic Condition Reporting: The Statistical Section – an amendment to NCGA Statement 1*, was issued in May of 2004 and is effective for statements prepared after June 15, 2005.

The purpose of GASB Statement No. 44 is to improve the understandability and usefulness of the statistical section information by addressing comparability problems and by adding information from the new financial reporting model required by Statement 34. The statistical section is a required part of the Comprehensive Annual Financial Report (CAFR), which presents detailed information, typically in ten-year trends, that assists users in utilizing the basic financial statements, notes to the basic financial statements, and required supplementary information to assess the economic condition of government. This statement establishes the objectives of the statistical section along with the five categories of information it contains – financial trends information, revenue capacity information, debt capacity information, demographic and economic information, and operating information.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose, which include an array of administrative procedures. These controls are designed to provide reasonable, but not absolute, assurance regarding the safeguarding of assets against loss from unauthorized use or disposition, as well as the reliability of financial records for accurate and fair presentation of financial reports. The concept of reasonable assurance recognizes that the cost of specific controls should not exceed the benefits likely to be derived from exercising the controls, and that this evaluation involves estimates and judgments by management. It is believed that the City's internal accounting controls adequately safeguard City assets and provide reasonable assurance of proper recording of financial transactions.

Caporicci & Larson, Certified Public Accountants, have issued an unqualified ("clean") opinion on the City of Loma Linda's financial statements for the year ended June 30, 2006. The independent auditor's report is located at the front of the financial section of this report.

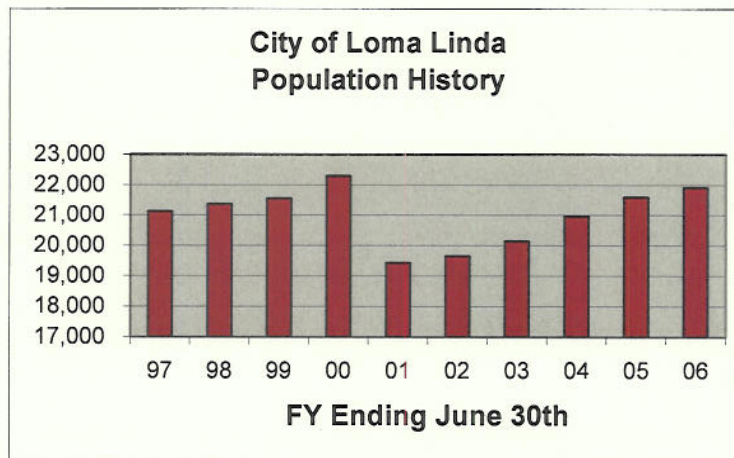
Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial

statements. MD&A complement this letter of transmittal and should be read in conjunction with it.

PROFILE OF THE GOVERNMENT

The City of Loma Linda, incorporated in September 29, 1970, is located on the south side of Interstate 10, east of the 215 Freeway. Loma Linda is home to the world famous Loma Linda University and Medical Center with over 900 physicians on the University and Medical Center Staff. Loma Linda ("Beautiful Hill"), originally known as "Mound City", has a history of being a health-conscious community, and in 1993 became the first "smoke free" city in San Bernardino County. The Seventh-Day Adventist Church purchased the Loma Linda Resort Hotel from a group of businessmen and physicians from Los Angeles hospitals and converted it into the Loma Linda Sanitarium in 1905. The Sanitarium eventually became a full service medical facility and medical college, the forerunners of the Loma Linda University and Medical Center.

Loma Linda covers an area of 7.8 square miles and has a resident population of 21,912, as certified by the State Department of Finance, as of June 30, 2006. The City has some of the highest median income and highest average home prices in San Bernardino County.



As presented in the ten year population history chart, Loma Linda has sustained a steady growth rate over the past five years. After the 2000 census was completed, the State adjusted each California cities' population; some cities realized an increase while others, like Loma Linda, realized a decrease. As a result of the census figures, in 2001 the State Department of Finance downwardly revised the City's population numbers which are also used for allocation purposes of state subvention revenues.

The City is governed under charter by a City Council/City Manager plan. The people of Loma Linda elect five Council Members, from which the City Council chooses the Mayor and the Mayor pro tempore. The City Council appoints the City Manager, who is responsible for the daily operations of all City departments and the Council also appoints the City Attorney.

The City's operating departments are Public Safety, Public Works, Community Development, Economic Development, City Clerk, Finance, Information Systems and Administration.

The City of Loma Linda is a full service Municipal Government. Services provided by the City include police (through contract with San Bernardino Sheriff's) and fire protection; utilities services of water, sewer and refuse (under contract with a private hauler); street and park maintenance; storm and waste water drainage maintenance; planning and zoning management; general administrative services; a senior center and a library branch (staffed by the County of San Bernardino).

Financial administration of the City is the responsibility of the Finance Director/Treasurer, who supervises the City's fiscal administration, which includes the day-to-day accounting, budgetary and reporting compliance, business licensing, utility billing operations and cash management.

THE REPORTING ENTITY (Activities included in the report)

The report includes all activities carried out by the City as a legal entity, and also includes the activities of the Loma Linda Redevelopment Agency, for which the City Council, acting in the capacity of Redevelopment Agency Board, is financially accountable as determined under the guidelines of the Governmental Accounting Standards Board (GASB).

ACCOUNTING SYSTEMS AND BUDGETARY CONTROL

The City's fund accounting records are maintained using a modified accrual basis of accounting as explained in the Notes to the Financial Statements, following the accounting practices for governmental units as recommended by the Governmental Accounting Standards Board. Basic City operations are accounted for in the City's General Fund, with other activities accounted for in separate funds as required by law or determined by management discretion. Generally, revenues are recorded when measurable and available, and liabilities are recorded when incurred.

The Government-Wide financial statements follow the accrual basis of accounting, with a reconciliation statement to foot to the fund financial statements, as required by GASB Statement No. 34. This reconciliation statement follows on pages 23 and 26 in the body of the financial statements.

The Finance Director/City Treasurer is charged with the responsibility to supervise and be responsible for the receipt and disbursement of all monies and have control over all expenditures to insure that budget appropriations are not exceeded. The level of budgetary control, that is, the level at which expenditures are not to exceed Council approved appropriations is established at the fund, department, division and categories (personnel, maintenance and operations, and capital outlay) of expenditure levels. Adjustments at the object level within major categories of expenditures are permissible at the department and division level, however, adjustments involving transfers between major categories of expenditures, between departmental and division budgets or between departments within the same fund, require Finance Director recommendation and City Manager approval. Adjustments between funds and additional supplemental appropriation funding require City Council approval. An encumbrance (commitment) accounting system is utilized as a technique to enhance budgetary control during the year. All encumbered appropriations lapse at year-end and become generally available for re-appropriation the following year, upon recommendation by the City Manager. Furthermore, the Citizen's Budget Committee plays a major role in the budgetary recommendations to the City Council.

SIGNIFICANT EVENTS AND ACCOMPLISHMENTS

During 2005/2006 the City achieved many accomplishments that may not be evident from a review of the financial statements. Some of the more important accomplishments as well as on-going projects are summarized below.

Community Development:

The Community Development Department was kept busy with the General Plan Update Project, which continued the public hearing process before the City Council into July 2006. The Department was also busy as a result of new development within the City. The Planning Division processed eight conditional use permits, sixteen precise plans of design, seven tentative tract

maps, two specific plans, three single-family residences and sixteen small project applications many of which were associated with legislative changes such as general plan amendments and zone changes. Commensurate with the level of entitlement activity experienced by the community, the Building Division checked plans, issued building permits, and conducted inspections for hundreds of permit requests. This included issuing permits for 234 single-family residences and 344 miscellaneous building projects, and conducting 7,934 building inspections.

The Code Enforcement Section was very active during the 2005/2006 Fiscal Year. The two officers worked with the community and issued over 600 Courtesy Notices, 210 Violation Notices, and 31 Administrative Citations. They also removed 1,650 illegal signs, resolved one Small Claims case, processed five Vehicle Abatements, and abated three homeless camps.

The Senior Center entered into its third year of operation. The part-time Senior Center Manager, hired around the middle of the year, has been developing new programs and activities, and expanding those already in existence. In 2005/2006, the Center was visited by 8,905 people averaging 742 persons per month (3,847 during July 1, 2005 – December 31, 2005; 5,058 during January 1, 2006 – June 30, 2006).

Fire Department

During the fiscal year, the Loma Linda Fire Department (LLFD) responded to 2,788 calls for service, 72.8% or 2,029 were for medical aids. The department lost and replaced 5 firefighting personnel and 2 admin secretaries. The department went out to bid and awarded contracts for two new fire apparatus (engine and ladder truck) to replacement older equipment. The department continues to address the rising number of demands and responsibilities resulting from development and increasing customer expectations. The challenge for LLFD is to maintain an effective level of service during the build-out of the city.

Information Systems Department

The City of Loma Linda is preparing for the future with its Loma Linda Connected Community Program (LLCCP). The Program includes the deployment of an advanced city-wide fiber optic network as well as modifications to building regulations to ensure that development will be designed to meet the needs of future communication technologies. The City building code now requires all new commercial and residential developments (or re-models involving greater than 50% of the structure) to equip the new structures with a fiber-optics interface and copper cabling throughout. The City has completed the construction of its Network Operations Center and is beginning work on migration to a virtual server system allowing for a faster, more secure and scalable platform for the City servers. The City is nearing completion of expanded power systems for the facility, installation of faster and more reliable network service equipment, and of the fiber network with completion of three of the four planned rings and completion of the fourth ring planned for the middle of fiscal year 2007. Current subscriber bases are approximately sixty percent in new construction, with approximately two hundred companies and individuals expressing interest in service when it becomes available in their area. In addition to providing services directly to residents, the existing fiber infrastructure is being used to support and expand city services by enabling use of video monitoring of City parks, Redflex traffic monitoring, and augment water service monitoring. The completion of the service rings, initiation of overbuild and distribution, and the implementation of City supporting facilities and services are allowing the City to leverage these assets to continue to grow a strong vibrant community.

Housing and Economic Development:

During Fiscal Year 2005-2006, the following programs, administered utilizing the Redevelopment Agency 20% Housing Fund, were used to assist families of very-low and low income: Clean-up Campaign/Dumpsters; Housing Acquisition and Rehabilitation; Exterior Paint; First Time Homebuyers; Home Improvement Major Loan and Grant; Paint Rebate; Multi-Family Rental Housing Rehabilitation Loan; and Home Exterior Grant Program for Mobile Homes. The Programs assisted 99 families, including 2 First Time Homebuyers with down payment assistance. The Agency also concluded acquisition of two (2) parcels on Poplar Street and one (1) parcel on Van Leuven Street for affordable housing purposes, a within the Redevelopment Project Area.

Capital Improvement Program (CIP) Projects:

Public Works

For fiscal year 2005/2006, The Loma Linda Public Works Department was busy with many improvement projects through out the City. The Streets Division completed over 1.5 million square feet of street rehabilitations on over 56 streets; installed a lighted pedestrian crossing at Anderson Street; and installed two new traffic signals at Redlands Boulevard and Richardson Street, and Campus Street and Prospect Street. The Parks Division made several improvements to City Parks, a slide gate and picnic tables were installed at Hulda Crooks; a shade structure at Leonard Bailey and improvements to the Heritage House at the new Heritage Park location. All these improvements are intended for the public's safety and enjoyment, and for maintenance efficiency.

The Facilities Division assisted with some major improvement projects at the Civic Center; re-roofing and solar panel installation at City Hall, Library, Senior Center and Fire Station; the addition of eight parking spaces at the east end of Civic Center parking lot; installation of new carpet in the main lobby and hallway at the Civic Center and Administration Department offices; and front counter improvements at Community Development and Finance Departments to meet ADA requirements. At the Corporation Yard, the Facilities Department oversaw the expansion and remodeling of the front office, installation of a 4,000 sq. ft. steel storage building and installation of a large diesel fuel tank with automated fuel use tracking system. A detailed analysis of capital improvement projects is provided in the City's Five-Year CIP program document.

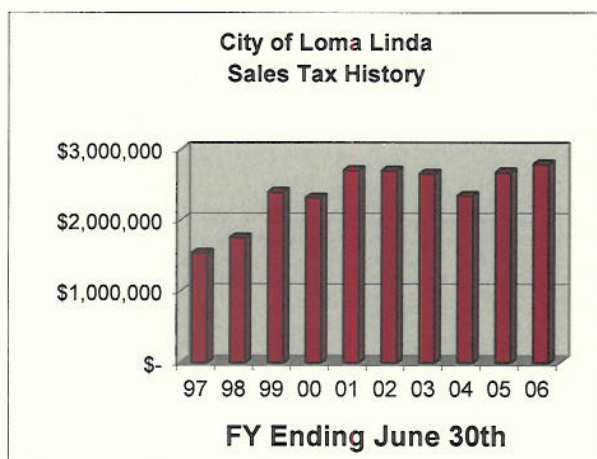
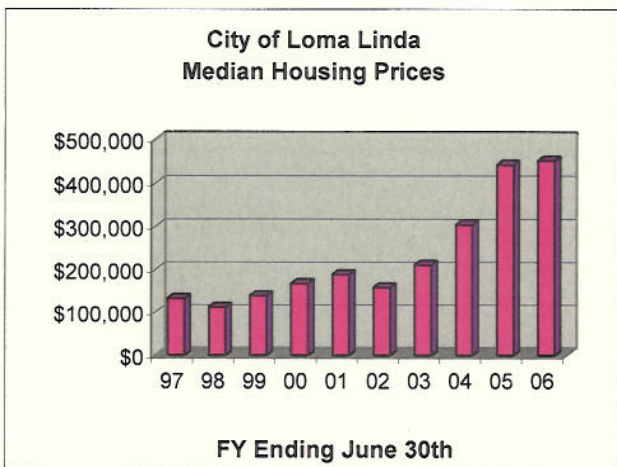
The Engineering Division prepared a storm drain water pollution provision plan, a water and sewer rate study and an urban water management plan. The division assisted the Redevelopment Agency with the preparation to demolish five houses. Additionally, the division continues to update the Infrastructure database and GIS Map System citywide.

The Water Production, Distribution and Sewer Divisions completed many projects to improve the City's water, sewer, and storm drain systems. The City upgraded piping from plastic to copper service citywide; continued to install radio read water meters citywide; improved waterlines on Cole, Shedden and Coloma streets; installed water lateral and valve replacements through out the City, rehabilitated the sewer line at Seamount Drive, and made improvements to the Storm drain on Academy Street.

LOCAL ECONOMY AND PROSPECTS FOR THE FUTURE

As presented in the Loma Linda General Plan (2006), Loma Linda is a unique community with strong ties to its religious, educational and healing arts roots. The Loma Linda University Medical Center (LLUMC) and the Jerry L. Pettis Memorial Veterans Medical Center (VA Medical Center) provide much of the economic base of the community through the employment of a highly trained local labor force. The City is seeking to expand upon this economic base with medical support services, research facilities, professional offices and lodging accommodations for visitors to the medical centers and community. In addition to increasing commercial and industrial opportunities, Loma Linda is in the process of managing residential growth to provide an appropriate range of housing opportunities to accommodate the diverse work force needed by the medical facilities. The vision for the future of Loma Linda is for the City to have a balanced economy that meets the needs of the community, is a great place to live and do business. The goal is to attract high-tech industries to the City and create a diverse mix of high paying job opportunities to raise the City's standard of living and complement the LLUMC.

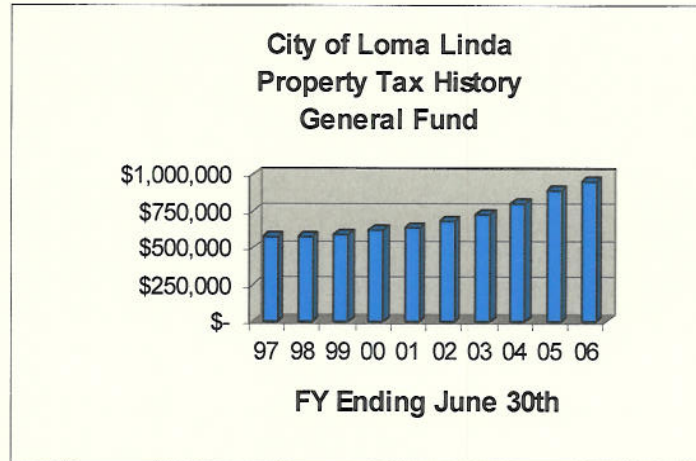
The median price of a home in Loma Linda climbed 2.15% to \$452,000 in 2006, from \$442,500 in 2005, according to the California Association of Realtor's website located at <http://www.car.org>. Even with persistent increases in housing costs the City of Loma Linda is expected to continue to attract skilled and educated residents that can be provided with local jobs as well as access to surrounding job markets via Internet technology. The Loma Linda Connected Community program has established building requirements to enhance technological access as part of each new development project, providing the technological infrastructure for local residents to stay "connected" from home.



The chart here is a ten year historical presentation of the City's sales tax revenue through fiscal year ending June 30, 2006. The City continues to benefit from taxable sales of business and industry, and auto and transportation groups. However, sales have remained relatively flat the past five years, with a dip in fiscal year 2003/2004 due to a significant refund granted to a local business taxpayer. In fiscal year 1999/2000, the dip in sales tax revenues was an anomaly due to reporting variances.

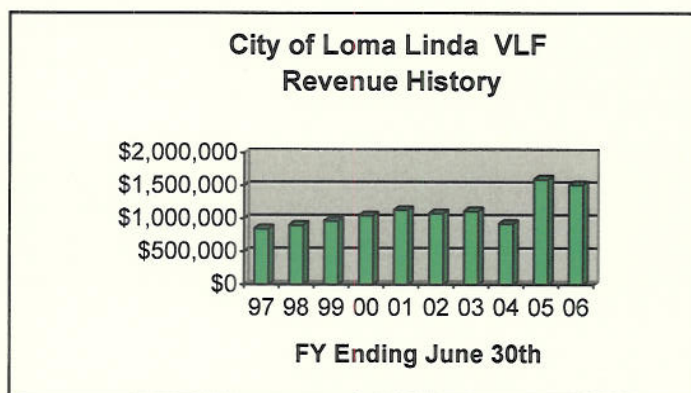
The City of Loma Linda continues to heavily rely on retail sales to fund its general government services. By improving the availability of retail shopping facilities and attracting more shoppers to buy locally, the City is expected to expand sales tax revenues in connection with the economic growth projected in fiscal year 2006/2007.

Property values in Loma Linda have now kept up and even exceeded other communities in the County. As of June 30, 2006, citywide assessed property values increased 14.43% over the previous year, with a slight 2.15% increase in the median price of a home in the City. Median housing prices are just one factor in citywide assessed values. Tax-exempt properties continue to be a significant factor in the overall assessed values for both the City and the Redevelopment Agency in Loma Linda.



Property taxes are collected by the City and the Redevelopment Agency, with the bulk of the property tax collected as "tax increment" by the Agency. The chart above is a 10-year history of the City's General Fund property tax revenues through fiscal year ending June 30, 2006. As shown here, General Fund property taxes have been steadily increasing over the last eight years. At June 30, 2006, property tax revenues were reported at \$966,576, an increase of \$55,210 or 6.0% from fiscal year 2004/2005. In the attached Statistical table on page 128, the fiscal year 2005/2006, property tax revenue is reported as \$6,942,748, which includes \$6,099,537 in Redevelopment Agency property tax as part of the "governmental" tax revenue.

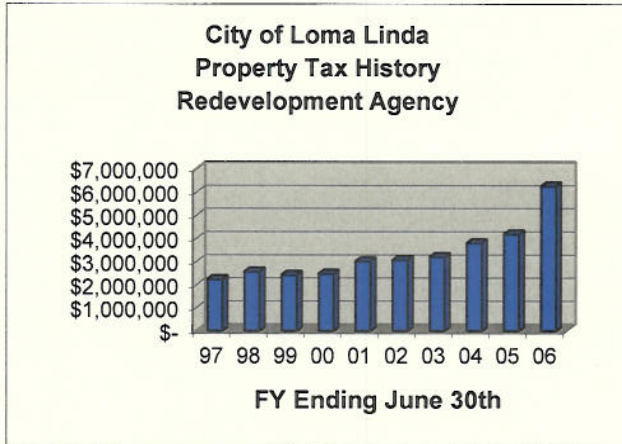
Not reflected in the chart is property tax increases shifted to the State, as part the Governor's Budget/Constitutional Protection Package that impacted fiscal years 2004/2005 and 2005/2006, in the amount of \$177,703 for each year.



As presented in the ten year history chart Vehicle License Fees (VLF) had been steadily increasing since fiscal year 1996/1997 and flattened out in 2000/2001. In fiscal year 2003/2004 the City felt the affects of the State budget crisis, with a revenue loss of \$341,452, or 27% of total VLF revenues, when the State's backfill was stopped and restarted three months later creating a gap in VLF payments to the City; later the gap was converted to a

loan. In fiscal year 2004/2005, City VLF revenues show a significant increase due to the early repayment of the VLF loan, originally scheduled to be repaid in August of 2006. Also, as part of the Governor's Budget/Constitutional Protection package, a VLF swap was approved. What the swap boils down to is an exchange of the current VLF backfill from the State's general fund for an equivalent amount of property tax revenues in fiscal year 2004/2005. In the future, the VLF in-lieu property tax revenue stream will grow in proportion to the growth in gross assessed valuation, including redevelopment project areas.

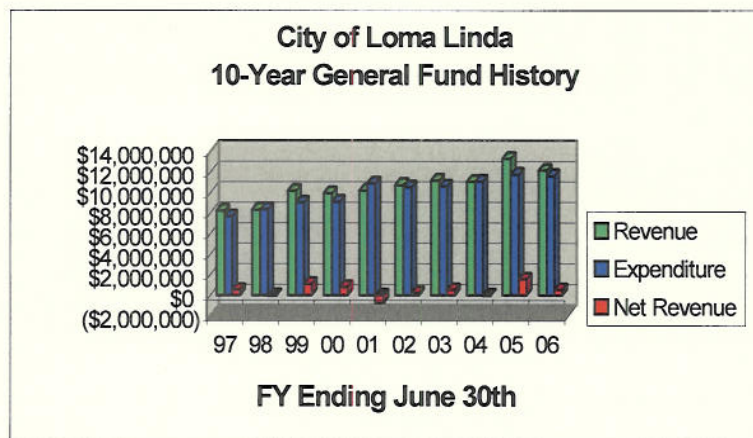
Prior to fiscal year 2002/2003, the City's general-purpose financial statements did not include Redevelopment Agency revenues or expenditures; these were separately reported in a component unit financial statement. In addition to a separate component unit financial statement being prepared for the Redevelopment Agency, since fiscal year ending June 30, 2003, the City's general-purpose financial statements include both City and Redevelopment Agency property tax revenues.



As shown in the 10 year property tax history chart above, tax increment revenues in the Redevelopment Agency have grown from \$2.25 million in fiscal year 1996/1997 to \$6.3 million in 2005/2006. The one-year increase from fiscal year 2004/2005 was \$1,869,620, or 42.5% total increase in property tax increment, including the 20% Low/Mod Housing set-aside portion. Property tax revenues are anticipated to continue in the upward trend for the next several years, as the majority of available undeveloped land is within the redevelopment project area.

ACTUAL OPERATING RESULTS – GENERAL GOVERNMENT

The following discussion summarizes the annual operating results of the City's General Fund, Special Revenue Funds, Debt Service Funds, and Capital Project Funds (Governmental Funds) for the fiscal year ended June 30, 2006. Further details are presented in the individual financial statements attached to this transmittal letter.



The chart on the left illustrates the ten year history of total revenues, expenditures and net operating revenues for the General Fund through June 30, 2006. The Net Revenue figure in the chart includes operating revenues, operating expenditures and transfers to and from other funds.

Revenues – The following table displays the actual revenues recorded by category for fiscal year 2005/2006 as compared to the prior fiscal year.

Total revenues for all Government Funds in fiscal year 2006 were up \$5,097,707, or 24.1% over the previous year. Within the Taxes category, property tax, sales tax, and franchise fees increased by \$2,474,532 or 26.5% over the prior year.

**Revenues by Category for Governmental Funds
Compared to Prior Year**

	<u>2006</u>	<u>2005</u>	<u>% Change</u>
Taxes & Assessments	\$11,815,631	\$9,341,099	26.5%
Licenses and Permits	\$949,820	\$1,274,884	-25.5%
Fines and Forfeits	518,953	165,057	214.4%
Use of Money and Property	1,731,566	1,046,965	65.4%
Intergovernmental	2,780,168	2,944,606	-5.6%
Charges for Services	2,970,018	3,115,924	-4.7%
Developer Contributions	3,320,882	1,556,016	113.4%
Other	2,188,198	1,732,978	26.3%
Total Revenues	<u>\$26,275,236</u>	<u>\$21,177,529</u>	<u>24.1%</u>

In the comparison of revenues above, investment earnings, part of Use of Property & Money in the Governmental Funds, reflect an overall increase of \$653,274. Investment earnings are higher overall due to increases in reserves, development impact fees collected not yet spent and \$25.5 million in Redevelopment bond proceeds. Investment rates appear to have bottomed out in 2004 and have steadily increased since. As investment yields in U.S. government securities become more favorable, the Finance Director/Treasurer will be considering alternative investments and diversification of funds away from the State's Local Agency Investment Fund (LAIF) pool.

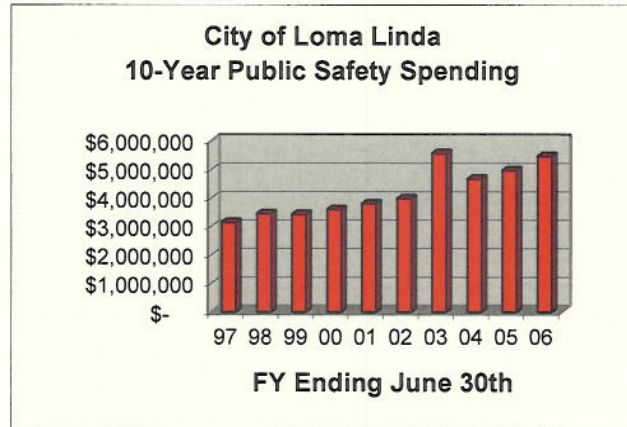
Expenditures – The following table compares the actual expenditures incurred in fiscal year 2005/2006 with the previous year. Funds included are the City's General Fund, Special Revenue, Debt Service Funds, and Capital Project Funds.

**Expenditures by Function for Governmental Funds
Compared to Prior Year**

	<u>2006</u>	<u>2005</u>	<u>% Change</u>
Current:			
General Government	\$3,119,238	\$2,890,312	7.9%
Public Safety	5,474,848	4,976,235	10.0%
Public Works	4,857,384	3,706,711	31.0%
Community Development	5,074,483	2,733,328	85.7%
Capital Outlay:			
Capital Projects	466,557	244,200	91.1%
Debt service:			
Principal	1,266,003	1,161,099	9.0%
Interest and fiscal charges	3,043,379	2,049,958	48.5%
Total Expenditures	<u>\$23,301,892</u>	<u>\$17,761,843</u>	<u>31.2%</u>

Overall expenditures for fiscal year 2005/2006 were \$5,540,049 (31.2%) more than the previous fiscal year, partly driven by the \$2,341,155 dollar increase in the Community Development, \$1,150,673 dollar increase in Public Works and \$993,421 increase in Interest and fiscal charges, associated with the 2005 Series A & B Redevelopment bonds. The City contracts out building inspection services based upon a 65% of fees collected. With the increase in development activities comes a corresponding proportional increase in contractual service costs. Additionally, principal debt service increased \$104,904 primarily due to the principal payment associated with the issuance of the 2005 redevelopment agency's tax allocation bonds.

The chart on the right illustrates the ten year history of public safety expenditures through fiscal year ending June 30, 2006. Public Safety spending has increased almost 73.9% from roughly \$3.1 million in fiscal year 1996/1997 to \$5.5 million in fiscal year 2005/2006. The increase from last fiscal year alone was \$498,613 or 10%, mainly due to salary and benefit cost increases for in-house public safety services and San Bernardino County Sheriff contractual service cost.

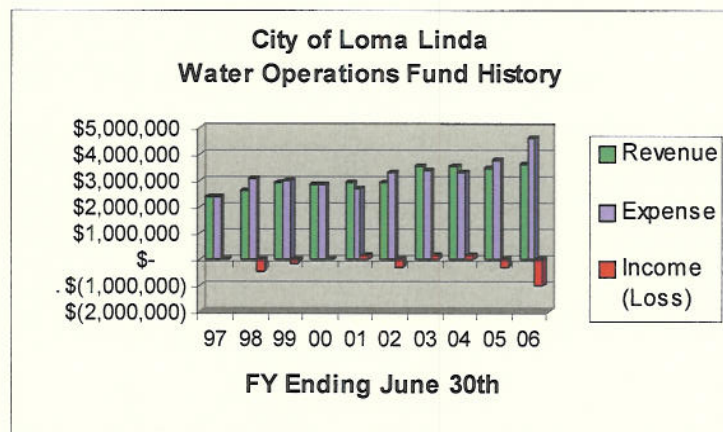


ANNUAL OPERATING RESULTS – ENTERPRISE FUNDS

The City accounts for its Water, Sewer and Loma Linda Connected Communities Program (LLCCP) operations on an "enterprise" basis, meaning that the activity is treated more like a commercial business, separate and apart from general City operations. In fiscal year 2005/2006, Enterprise Fund operating revenues for Water, Sewer and LLCCP combined, totaled \$7,611,541, an increase of 6.0% over fiscal year 2004/2005, while operating expenditures increased by \$2,102,645, or about 30.7%, over the same period.

Water Operations

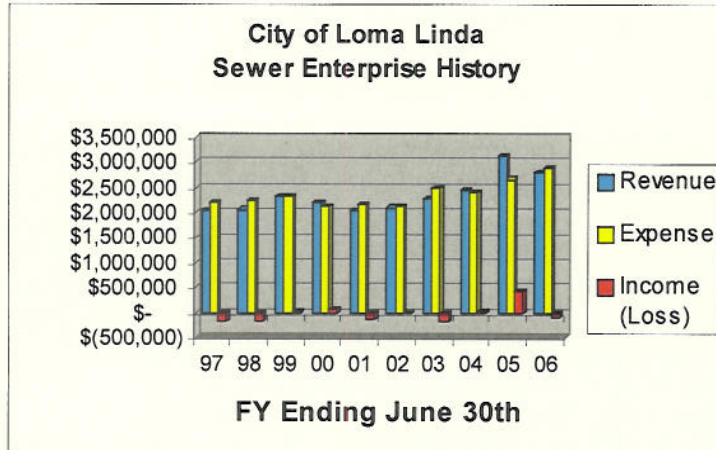
For Water Operations specifically, the Water Fund operating expenses exceeded operating revenues by \$1,012,482 this year, whereas last year, the Water Fund showed an operating loss of \$312,771 for the year. Note that this chart does not include any "non-operating" income or expenses, such as interest income of \$94,910 or interest expenses of \$267,975. Interest expense in the Water Fund has increased by 44.8%, due to the progressive increases of interest rates on the 1995 Variable



Rate Water Revenue Refunding bonds. When market interest rates had declined, variable-rate debt resulted in lower interest costs for the Water Fund. The converse is now true as rising market interest rates occur so will the Water Interest costs. The bond issue is being currently

being monitored by the City's financial advisor in order to determine when the cost vs. benefit of converting from a variable rate to a fixed rate obligation will be beneficial to the City. Additionally, in recognition of the prior years operating losses, management is in the process of finalizing a water rate study, which will be presented to City Council at a later date in 2006.

Sewer Operations



For the operating period ending June 30, 2006, the Sewer Fund ended the year with a net operating loss of \$77,473. Sewer revenues decreased by \$294,661, or 9.5%, and operating expenses increased by \$232,345, or about 8.7%. The chart to the left shows the ten-year financial operating history of the Sewer Enterprise Fund. Note that this chart does not include any "non-operating" income or expenses (i.e., interest income or interest expenses, etc.). Interest

income has increased by 73.3% or \$37,579 from prior year, due to higher returns on cash balances. Because the Sewer Fund has minimal outstanding debt interest expense has remained relatively unchanged from last year.

Loma Linda Connected Communities

During Fiscal year 2003/2004 a new Enterprise fund was set up for the purpose of establishing requirements for standardized residential and commercial telecommunications cabling systems. This new system will provide Loma Linda residents and businesses the opportunity to have voice, data, multimedia, home automation systems, environmental control, security, audio, television, sensors, alarms, and intercom services. The revenues and expenditures for 2003/2004 and 2004/2005 were minimal as these were the starting years of the program. Fiscal Year 2005/2006 was the second full year of operations for the Loma Linda Connected Communities Program with major infrastructure construction activity occurring in this year. For the operating period ending June 30, 2006, LLCCP ended the year with operating revenues of \$111,804 compared to \$87,915 in 2004/2005. Operating expenditures of \$866,377 are comparatively higher than expenditures of \$344,701 in fiscal year 2004/2005. The significant increase in operations, mainly expenses, resulted in an operating loss of \$754,573, before interest income or transfers in.

PENSION FUNDING STATUS

The City's employees are members of the California Public Employees' Retirement System (PERS). PERS acts as a common investment and administrative agent for local governmental units and school districts throughout California. Since the last valuation as of June 30, 2003, CalPERS has implemented their new rate stabilization policy, which requires both City plans to participate in a risk pool. As of the most recent actuarial valuation at June 30, 2004, the City's share of the pool's assets is \$19 million and the present value of the projected benefits is \$25.3 million with a funded ratio of 75%. In 2005, CalPERS notified the City that in fiscal year 2006/2007, the "City's" share of retirement costs would rise to 8.942% for Miscellaneous employees and 13.786% for Public Safety employees. For this year, the City paid \$459,009 in pension costs to PERS. The City continues to pay the 7% of the employee's PERS contribution

for Miscellaneous and Safety groups. The reason for the increase in the City's (employer) share of retirement costs is due to increase in payroll costs, and differences between projected rate of returns and actual returns on pooled assets.

DEBT ADMINISTRATION

As of June 30, 2006, the City and the Redevelopment Agency had debt outstanding in the amount of \$54.8 million. The Redevelopment Agency has bonded debt principal as follows: (1) the 2003 Tax Allocation Refunding Bonds of \$11,770,000, (2) the Subordinate 2005 A Tax Allocation Bonds of \$15,100,000, and (3) the Subordinate 2005 B Tax Allocation Bonds of \$10,435,000 (not including unamortized issuance costs). The City had \$8,631,911 in debt outstanding as follows: (1) 1978 Water bonds (general obligation) of \$20,000, (2) 1995 Water revenue refunding bonds of \$8,320,000, and (3) capital lease obligation of \$291,911 at June 30, 2006. Also, the Loma Linda Public Financing Authority had \$8,185,000 of outstanding Lease Revenue Refunding Bonds issued in 2002. Other debt recorded in footnote 7 - "Non-City Obligation" of the financial statements is not a legal obligation of the City and therefore not included here.

CASH MANAGEMENT

In order to maximize investment leverage, it is the City's practice to "pool" available cash from all Funds for investment purposes. In accordance with the annually adopted investment policy, available cash is invested with the goal of safety, meaning protection of principal, as the first priority, insuring adequate liquidity as the second priority, and maximizing yield as the third priority. As of June 30, 2006, the City's pooled cash investment portfolio (excluding cash with independent fiscal agents) totaled \$47,699,138 and was 100% invested in the State's Local Agency Investment Fund Pool (LAIF).

Total cash and investment balances increased \$25,737,344 (includes a negative \$231,351 demand account balances) from June 30, 2005, increase is mainly attributed to the issuance of 25.5 million in Redevelopment Bonds; and the increase in development activities and the corresponding fees and taxes collected as a result. As discussed previously, rising investment yields have contributed to an increased amount of overall interest revenue in the Governmental and other Fund types. The average rate on the pooled investment portfolio for the quarter ending June 30, 2006 was 4.7% (largely driven by LAIF), a rise from the prior year yield of 2.967% reflective of increasing interest rates. At June 30, 2005, the benchmark six-month U.S. Treasury was 5.24%, a significant increase from the 3.34% yield at June 30, 2005. Federal monetary policy, driven by the Federal Reserve Bank, has raised the discount rate from 4-1/4%, by 200 basis points to 6-1/4% at June 30, 2006. As rates begin to rise, the City's investment portfolio will start to yield higher returns relative to the rising investment yields. The State's LAIF pool continues to be a good option for the City's investment portfolio until such time that the yield curve improves, providing better yields in the one- or two-year maturity period of U.S. Treasuries.

RISK MANAGEMENT

The City of Loma Linda is a member of the California Joint Powers Insurance Authority (Authority), which is composed of 109 California public entities organized under a joint powers agreement. The purpose of the Authority is to arrange and administer programs for the pooling of self-insured losses, to purchase excess insurance or reinsurance and to arrange for group purchased insurance for property and other coverage.

General Liability - As a member, the City carries a self-insured retention of \$30,000 per occurrence and is insured through the Authority from \$30,001 to \$15,000,000. Costs of covered

claims above \$15,000,000 are currently paid by reinsurance. The protection for each member is \$50,000,000 per occurrence and \$50,000,000 annual aggregate.

Workers Compensation - The City also participates in the Workers' Compensation Pool administered by the Authority. The City is charged for the first \$50,000 of each claim. Costs above \$50,000, and up to \$2,000,000 per claim are pooled based on member losses under its retention level and on payroll. Costs between \$2,000,000 and \$150,000,000 are covered by excess insurance purchased by the Authority. The excess insurance provides coverage to statutory limits. Costs in excess of \$150,000,000 are pooled by the members based on payroll.

INDEPENDENT AUDIT

An independent audit of the City's records was performed for the year ended June 30, 2006 by the certified public accounting firm of Caporicci & Larson. The auditors report on the general-purpose financial statements, and combining and individual fund statements and schedules is included in the Financial Section of the Report. In fiscal year 2002/2003, the audit was expanded to cover the government-wide financial statements required by GASB 34.

In general, the auditors concluded that the financial statements and schedules referred to above present fairly, in all material respects, the financial position of the City of Loma Linda and the Loma Linda Redevelopment Agency, as of June 30, 2006, and the results of its operations and cash flows of its proprietary fund types for the year then ended in conformity with generally accepted accounting principles. The professionalism and knowledge exhibited by Caporicci & Larson during the audit is appreciated.

AWARD

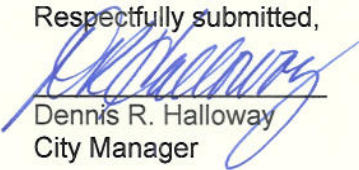
This annual financial report was prepared according to the Government Finance Officers Association (GFOA) and California Society of Municipal Finance Officers Association (CSMFO) guidelines for their Award in financial reporting. We believe that our annual financial report conforms to the Award program requirements of both GFOA and CSMFO; the Report will be submitted for consideration of the Award for the 2005/2006 fiscal year.


ACKNOWLEDGMENTS

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the Finance Department and other City Departments that provided data for preparation of the Statistical section of the Report. We would like to express our appreciation to all members of the department who assisted and contributed to the preparation of this report.

We would like to extend our appreciation to the Mayor, City Council, and each City Department for their cooperation and support in conducting the fiscal operations of the City.

Respectfully submitted,


Dennis R. Halloway
City Manager


Diana De Anda
Finance Director/Treasurer

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Loma Linda,
California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2005

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Carla E. Perry

President

Jeffrey R. Emer

Executive Director

California Society of Municipal Finance Officers

Certificate of Award

Outstanding Financial Reporting 2004-05

Presented to the

City of Loma Linda

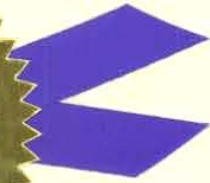
*This certificate is issued in recognition of meeting professional standards and criteria in reporting
which reflect a high level of quality in the annual financial statements
and in the underlying accounting system from which the reports were prepared.*

February 24, 2006

William A. Lund

Bill Thomas, Chair
Professional & Technical Standards Committee

Dedicated to Excellence in Municipal Financial Management



CITY OF LOMA LINDA

PRINCIPAL OFFICIALS

ELECTED OFFICIALS

Robert Christman

Mayor

Stan Brauer

Mayor Pro Tempore

Floyd Petersen

Councilmember

Rhodes Rigsby

Councilmember

Robert Ziprick

Councilmember

APPOINTED OFFICIALS

Dennis R. Halloway

City Manager/Economic Development Director

Richard Holdaway

City Attorney

Pamela Byrnes O'Camb City Clerk

Diana De Anda Finance Director/Treasurer

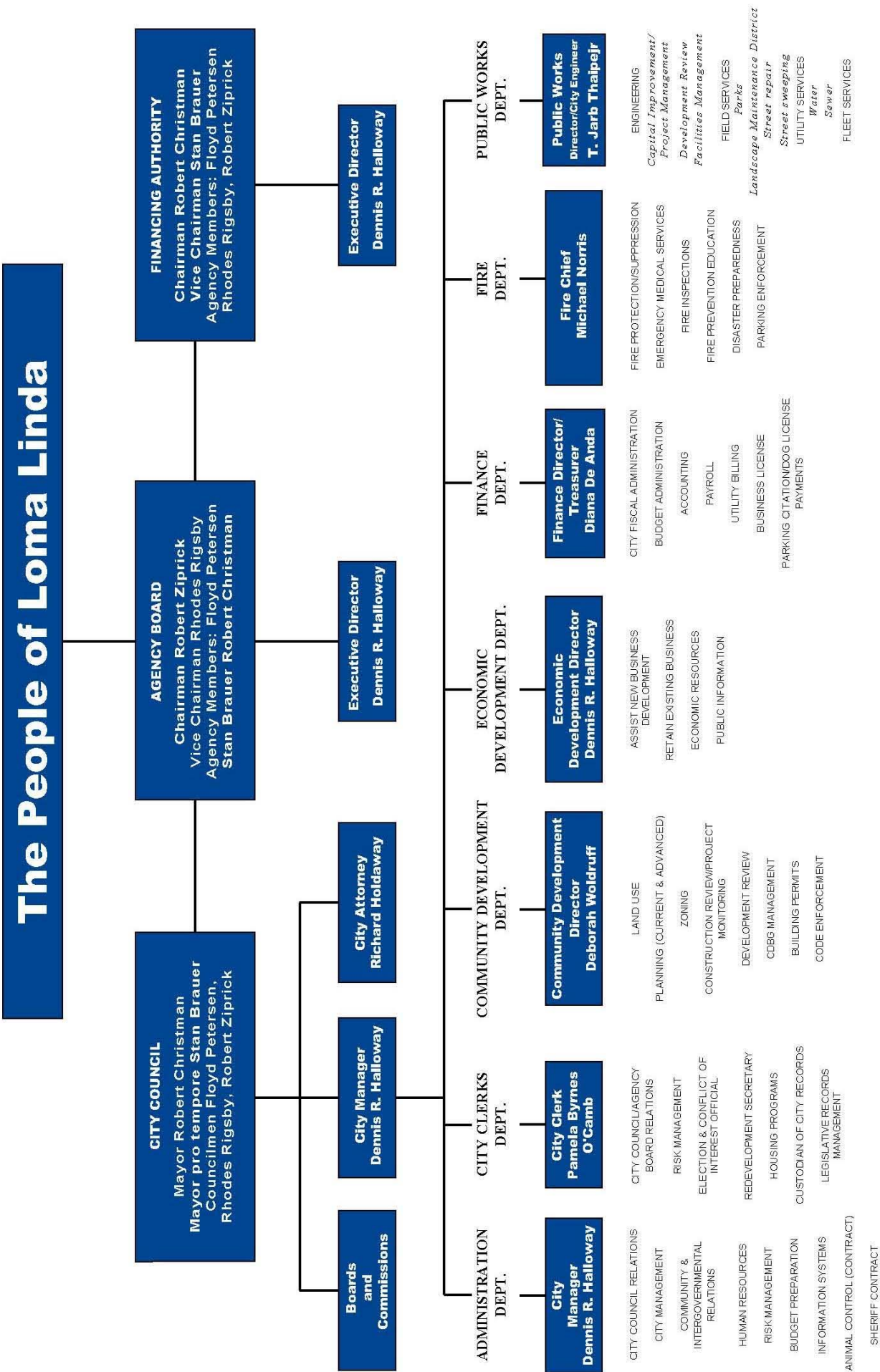
Michael Norris Fire Chief

T. Jarb Thaipejr Public Works Director

James Hettrick Information Systems Director

Deborah Woldruff..... Community Development Director

CITY of LOMA LINDA
ORGANIZATION CHART



Financial Section



INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members of the City Council
of the City of Loma Linda
Loma Linda, California

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Loma Linda, California (City), as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with generally accepted accounting principles in the United States.

As described in Note 1 to the basic financial statements, the City has elected in accordance with Governmental Accounting Standards Board Statement No. 34, to defer recording and reporting of its major general infrastructure assets acquired prior to fiscal year 2002-2003. Recording and reporting by the City of these major general infrastructure assets is required by fiscal year 2006-2007.

As described in Note 1 to the basic financial statements, the City adopted the Governmental Accounting Standards Board Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and Insurance Recoveries*, No. 44, *Economic Condition Reporting: The Statistical Section* (an amendment of NCGA Statement 1), No. 46, *Net Assets Restricted by Enabling Legislation*, and No. 47, *Accounting for Termination Benefits*.

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Toll Free Fax: (866) 436-0927

Oakland

180 Grand Ave., Suite 1365
Oakland, California 94612

Orange County

9 Corporate Park, Suite 100
Irvine, California 92606

Sacramento

777 Campus Commons Rd., Suite 200
Sacramento, California 95825

San Diego

4858 Mercury, Suite 106
San Diego, California 92111

To the Honorable Mayor and Members of the City Council
of the City of Loma Linda
Loma Linda, California
Page 2

In accordance with *Government Auditing Standards*, we have also issued our report dated August 24, 2006 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The accompanying Required Supplementary Information, such as Management's Discussion and Analysis, budgetary comparison information and other information as listed in the table of contents, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the Required Supplementary Information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City's basic financial statements. The accompanying supplementary information is presented for purpose of additional analysis and is not a required part of the basic financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The Introductory and Statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Caprice & Carson

Irvine, California
August 24, 2006

Management's Discussion and Analysis



MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the City of Loma Linda's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2006. Please read it in conjunction with the accompanying transmittal letter and the accompanying basic financial statements.

FINANCIAL HIGHLIGHTS

- The City's assets exceeded its liabilities by \$52,406,268 (net assets); of this amount \$18,019,824 is unrestricted.
- The City's net assets increased 18.9% from \$44,043,839 (as restated) at the beginning of the year to \$52,406,268 at the end of the year. The increase can be mainly attributed to higher Redevelopment tax increment, and revenues associated with increased development activity within the City. Additionally, there is a \$136,370 negative restatement of the beginning net assets due mainly to an overstatement of revenues and the associated due from other governments as shown in the *statement of activities* on page 16 and note 15 to the financial statements.
- During the current year, taxes and other governmental revenues and business-type revenues exceeded expenses by \$8,362,429, as shown in the *statement of activities*. Significant increases to assessed valuation in the Redevelopment Agency accounted for the majority of the increase in property tax revenues. The balance can be attributed to increases in sales tax, interest earnings on investments, and development service charges and impact fees collected.
- During the year, the General Fund reported a positive net change in fund balance of \$976,159 due to revenues exceeding expenditures by \$551,960, and net transfers of \$424,199.
- For the General Fund, the actual resources available for appropriation (revenue inflows and fund balance) were more than the final budget by \$412,633, while actual appropriations (outflows) were \$275,546 less than the final budget.
- Overall, in the current year, the City has sustained a healthy financial position with positive changes to net assets in both the General Fund and the City as a whole. City Council and management annually make great efforts to adopt a balanced budget that preserves, if not adding, to unrestricted fund balance. The City strives to maintain a portion of unrestricted general fund balance for emergency purposes and equipment replacement. In the adopted budget for fiscal year 2005/2006 this represented 14.1% of the general fund budget.

USING THIS ANNUAL REPORT

The discussion and analysis is intended to serve as an introduction to the City of Loma Linda's basic financial statements. The basic financial statements consist of three components: 1) *government-wide financial statements*, 2) *fund financial statements*, and 3) *notes* to the financial statements.

The *Government-wide statements* provide information about the activities of the City as a whole and present a longer-term view of the City's finances. These statements consist of the *statement of net assets* and *statement of activities*.

Fund financial statements, which consist of the *governmental funds*, *proprietary funds* and *fiduciary funds*, report the City's operations in more detail than the government-wide statements by providing information about the City's most significant (major) funds. The *governmental fund* statements also tell how City services were financed in the short term as well as what remains for future spending. The *proprietary funds* statements use the same accounting method as the business-type activities, but provide more detail of the activities. The *fiduciary fund* statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government.

Reporting the City as a Whole

The Government-wide Financial Statements

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of this year's activities?" The *statement of net assets* and the *statement of activities* report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's *net assets* and changes in them. The reader can think of the City's net assets - the difference between assets and liabilities - as one way to measure the City's financial health, or *financial position*. Over time, *increases* or *decreases* in the City's net assets are one indicator of whether its *financial health* is improving or deteriorating. However, to assess the *overall health* of the City the reader will need to consider other non-financial factors, such as changes in the City's property tax base and the condition of the City's roads and other infrastructure.

The *statement of net assets* and the *statement of activities* present information about the following:

- Governmental activities - All of the City's basic services are considered to be governmental activities, including general government, community development, public safety and public works. Property taxes, motor vehicle in lieu, sales taxes, and franchise fees, finance most of these activities.
- Component units - The City's governmental activities include the Redevelopment Agency and the Public Financing Authority of the City of Loma Linda.

Reporting the City's Most Significant Funds

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds - not the City as a whole. Some funds are required to be established by State Law and by bond covenants. However, the City Council establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The City's three kinds of funds - *governmental*, *proprietary* and *fiduciary* - use different accounting approaches.

Governmental funds - Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial* assets that can readily be converted into cash. The governmental fund statements provide a detailed *short-term view* of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental *activities* (reported in the *statement of net assets* and the *statement of activities*) and governmental *funds* in reconciliation at the bottom of the fund financial statements.

The City of Loma Linda maintains twenty nine individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental statement of revenues, expenditures and changes in fund balances for the general fund, special projects construction fund, redevelopment capital projects fund and the redevelopment debt service fund; which are considered to be *major* funds. The remaining twenty five *non-major* funds are combined and presented in the other governmental funds column. Individual fund detail for the *non-major* funds is presented in the *combining statements* located on pages 77-115 of this report.

Proprietary funds - When the City charges customers for certain services it provides, these services are generally reported in proprietary funds. There are two types of proprietary funds: enterprise fund (*business-type activities*) and internal service funds (internal allocation of costs). Proprietary funds are reported on the full accrual basis of accounting, which is the same method that all activities are reported in the *statement of net assets* and the *statement of activities*.

The City of Loma Linda maintains four enterprise funds to account for Water, Sewer and the Loma Linda Connected Communities program activities. The four funds are considered to be *major* funds and as such detail activity is presented in the *statement of net assets, statement of revenues, expenditures and changes in fund net assets, and statement of cash flows* on pages 27-30.

Fiduciary Funds - The City is the trustee, or fiduciary, for certain amounts held on behalf of developers, property owners, and others. The City's fiduciary activities are reported in separate *statement of fiduciary net assets* and *changes in fiduciary net assets*. We exclude these activities from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. The statement of fiduciary net assets can be found on page 31-32.

Notes to the financial statements - Additional information that is crucial to a full understanding of the figures provided in the government-wide and fund financial statements is provided in the notes to the financial statements. The notes to the financial statements can be found on pages 35-68 of this report.

Required supplementary information - The *budget and budgetary accounting* and *defined benefit pension plan* information can be found on pages 69-74 of this report.

Government-wide Financial Analysis

Our analysis focuses on the net assets (Table 1) and changes in net assets (Table 2) of the City's governmental and business-type activities reported in the government-wide statements.

Table 1
City of Loma Linda's Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Current and other assets	\$ 59,557,694	\$ 28,716,486	\$ 10,531,515	\$ 14,049,144	\$ 70,089,209	\$ 42,765,630
Capital assets	<u>19,561,254</u>	<u>16,001,503</u>	<u>22,758,104</u>	<u>19,477,554</u>	<u>42,319,358</u>	<u>35,479,057</u>
Total Assets	<u>\$ 79,118,948</u>	<u>\$ 44,717,989</u>	<u>\$ 33,289,619</u>	<u>\$ 33,526,698</u>	<u>\$ 112,408,567</u>	<u>\$ 78,244,687</u>
Long-term liabilities	\$ 46,184,653	\$ 21,611,158	\$ 8,582,202	\$ 8,875,501	\$ 54,766,855	\$ 30,486,659
Other liabilities	<u>3,952,281</u>	<u>2,424,226</u>	<u>1,283,163</u>	<u>1,153,593</u>	<u>5,235,444</u>	<u>3,577,819</u>
Total Liabilities	<u>\$ 50,136,934</u>	<u>\$ 24,035,384</u>	<u>\$ 9,865,365</u>	<u>\$ 10,029,094</u>	<u>\$ 60,002,299</u>	<u>\$ 34,064,478</u>
Net Assets:						
Invested in capital assets, net of debt	\$ (2,238,756)	\$ (4,459,538)	\$ 14,302,367	\$ 10,713,919	\$ 12,063,611	\$ 6,254,381
Restricted	22,285,014	9,442,397	37,819	14,223,305	22,322,833	23,665,702
Unrestricted	<u>8,935,756</u>	<u>15,699,746</u>	<u>9,084,068</u>	<u>(1,439,620)</u>	<u>18,019,824</u>	<u>14,260,126</u>
Total Net Assets	<u>\$ 28,982,014</u>	<u>\$ 20,682,605</u>	<u>\$ 23,424,254</u>	<u>\$ 23,497,604</u>	<u>\$ 52,406,268</u>	<u>\$ 44,180,209</u>

The City's net assets from governmental activities increased 40.1% from \$20,682,605 to \$28,982,014. This increase of \$8,299,409 comes mainly from a positive \$8,435,779 change in net assets and a \$136,370 negative restatement of last year's net assets recorded in the *statement of activities* that flows through to the *statement of net assets*.

Table 2
City of Loma Linda's Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Program Revenues:						
Charges for services	\$ 10,480,585	\$ 6,852,772	\$ 7,311,335	\$ 6,484,517	\$ 17,791,920	\$ 13,337,289
Operating grants and contributions	628,309	589,251	-	-	628,309	589,251
Capital grants and contributions	648,198	154,848	559,548	-	1,207,746	154,848
General Revenues:						
Taxes	11,318,456	9,032,034	-	-	11,318,456	9,032,034
Intergovernmental-Motor Vehicle in Lieu	1,511,940	1,597,971			1,511,940	1,597,971
Use of money and property	1,856,519	1,795,884	986,355	733,815	2,842,874	2,529,699
Other	<u>408,670</u>	<u>1,402,044</u>	<u>300,206</u>	<u>699,057</u>	<u>708,876</u>	<u>2,101,101</u>
Total Revenues	<u>26,852,677</u>	<u>21,424,804</u>	<u>9,157,444</u>	<u>7,917,389</u>	<u>36,010,121</u>	<u>29,342,193</u>
Expenses:						
Governmental Activities:						
General government	3,421,268	2,857,749	-	-	3,421,268	2,857,749
Public safety	5,202,552	4,958,618	-	-	5,202,552	4,958,618
Community development	3,242,959	2,738,015	-	-	3,242,959	2,738,015
Public works	3,609,940	3,694,483	-	-	3,609,940	3,694,483
Interest on long-term debt	2,940,179	2,111,982	-	-	2,940,179	2,111,982
Business-Type Activities:						
Water acquisition	-	-	590,177	80,784	590,177	80,784
Water	-	-	4,872,363	3,950,270	4,872,363	3,950,270
Sewer	-	-	2,901,877	2,670,092	2,901,877	2,670,092
LL Connected Communities	<u>-</u>	<u>-</u>	<u>866,377</u>	<u>344,701</u>	<u>866,377</u>	<u>344,701</u>
Total Expenses	<u>18,416,898</u>	<u>16,360,847</u>	<u>9,230,794</u>	<u>7,045,847</u>	<u>27,647,692</u>	<u>23,406,694</u>
Changes in Net Assets before Transfers	<u>8,435,779</u>	<u>5,063,957</u>	<u>(73,350)</u>	<u>871,542</u>	<u>8,362,429</u>	<u>5,935,499</u>
Transfers	-	(69,663)	-	69,663	-	-
Change in Net Assets	<u>8,435,779</u>	<u>4,994,294</u>	<u>(73,350)</u>	<u>941,205</u>	<u>8,362,429</u>	<u>5,935,499</u>
Net Assets at Beginning of Year	20,682,605	15,398,918	23,497,604	22,465,548	44,180,209	37,864,466
Restatement of Net Assets	(136,370)	289,393	-	90,851	(136,370)	380,244
Net Assets at End of Year	<u>\$ 28,982,014</u>	<u>\$ 20,682,605</u>	<u>\$ 23,424,254</u>	<u>\$ 23,497,604</u>	<u>\$ 52,406,268</u>	<u>\$ 44,180,209</u>

As shown above, the change in net assets is a positive \$8,435,779 for *governmental activities* and negative \$73,350 for *business-type activities*, with a combined total net increase in net assets of \$8,362,429 for the fiscal year ending June 30, 2006. In comparison to fiscal year 2005, the net assets for *governmental activities* increased by \$3,441,485 more in fiscal year 2006. This increase can be mainly attributed to increases in property taxes due to higher assessed valuations in the redevelopment areas, revenues associated with continued development activity within the City, investment earnings due to higher fund balances and higher interest rates.

Table 3
City of Loma Linda
Schedule of Changes in Capital Assets/Infrastructure

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2004
Asset Type:						
Land	\$ 505,716	\$ -	\$ -	\$ 25,875	\$ 505,716	\$ 25,875
Construction in progress	2,129,898	262,758	1,764,412	1,055,729	3,894,310	1,318,487
Structures, machinery and equipment	416,875	342,981	989,824	753,961	1,406,699	1,096,942
Infrastructure	<u>1,491,043</u>	<u>1,074,077</u>	<u>2,740,297</u>	<u>1,216,258</u>	<u>4,231,340</u>	<u>2,290,335</u>
 Total Additions	 4,543,532	 1,679,816	 5,494,533	 3,051,823	 10,038,065	 4,731,639
 Less: Decreases and depreciation	 <u>(983,781)</u>	 <u>(1,366,479)</u>	 <u>(2,213,983)</u>	 <u>(1,234,410)</u>	 <u>(3,197,764)</u>	 <u>(2,600,889)</u>
 Capital Asset Increase/(Decrease)	 <u>\$ 3,559,751</u>	 <u>\$ 313,337</u>	 <u>\$ 3,280,550</u>	 <u>\$ 1,817,413</u>	 <u>\$ 6,840,301</u>	 <u>\$ 2,130,750</u>

As shown above, *capital assets* increased \$3,559,751 and \$3,280,550 (net of depreciation) for *governmental* and *business-type activities*, for a total of \$6,840,301.

Infrastructure assets amounts in *governmental activities* only reflect additions since for fiscal year ended June 30, 2004. The City expects to provide prior-year infrastructure for *governmental activities* in the ensuing fiscal year financial statements. Detailed information regarding capital assets activities can be found in Notes 1j and 5 of the financial statements.

Government Activities

Table 4 presents the *total cost* of each of the City's major public services in general government, community development, public safety, public works, and interest expense. Also included is each program's *net cost* (total cost less revenues generated by the activities). The *net cost* shows the financial burden that was placed on the City's taxpayers by each of these functions.

Table 4
City of Loma Linda
Net Cost of Governmental Activities

	Total Cost		Net Cost	
	2006	2005	2006	2005
Functions:				
General government	\$ 3,421,268	\$ 2,857,749	\$ 1,418,616	\$ 2,796,594
Public safety	5,202,552	4,958,618	4,276,449	4,050,517
Community development	3,242,959	2,738,015	(1,360,347)	(154,740)
Public works	3,609,940	3,694,483	(615,091)	(40,377)
Interest on long-term debt	<u>2,940,179</u>	<u>2,111,982</u>	<u>2,940,179</u>	<u>2,111,982</u>
Total Governmental Activities	<u>\$ 18,416,898</u>	<u>\$ 16,360,847</u>	<u>\$ 6,659,806</u>	<u>\$ 8,763,976</u>

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

At year-end, the City's *governmental funds* reported combined fund balances of \$47,416,118; Included in this amount is a net increase in fund balance for the General Fund of \$976,159 and an increase of \$22,729,213 in the Capital Projects Fund of the Redevelopment Agency. The General Fund had net operating excess (revenues over expenditures) of \$551,960 and net excess of other financing sources (transfers in over transfers out) of \$424,199. The Redevelopment increase in the Capital Projects Fund comes from the issuance of \$25.5 million in Tax Increment Bonds issued in December of 2005.

Significant changes in the *Proprietary Funds* occurred between the Water Acquisition Fund and Water Enterprise with a restatement reducing net assets in the Water Acquisition Fund and increasing net unrestricted assets in the Water Enterprise Fund in the amount of \$4,878,341, for the transfer of prior year capital assets placed into operations paid for by developer impact fees collected. Additionally, the Loma Linda Connected Communities Fund increased negative net assets by \$742,232 in its ongoing efforts to complete the construction of the city-wide fiber optic network.

General Fund Budgetary Highlights

The final appropriations of the *General Fund* at year-end were \$275,546 less than the final budget. The positive budget-to-actual variance in appropriations was primarily due to a under spending of appropriations. Actual revenues were more than the final budget by \$412,629, partially due to higher property taxes/RDA tax increment, and charges for services and impact fees associated with building activities. Budget amendments and supplemental appropriations were made during the year to diminish budget overruns and to increase appropriations for unanticipated expenditures after adoption of the original budget. The original revenue budget was increased by \$593,000 (including transfers in) while the expenditure appropriations budget was increased by \$400,820 as of the final budget on June 30, 2006.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2006, the City had \$42,319,358 invested in a broad range of capital assets, including fire and public safety equipment, buildings, land, park facilities, and roads (See Table 5 below).

Table 5
City of Loma Linda
Capital Assets at Year End
Net of Depreciation

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Asset Type:						
Land	\$ 5,524,904	\$ 5,019,188	\$ 1,389,696	\$ 1,389,696	\$ 6,914,600	\$ 6,408,884
Construction in progress	2,885,227	823,323	1,842,978	1,068,697	4,728,205	1,892,020
Structures, machinery & equipment	7,859,213	8,288,970	14,296,582	14,438,415	22,155,795	22,727,385
Infrastructure	<u>3,291,910</u>	<u>1,870,022</u>	<u>5,228,848</u>	<u>2,580,746</u>	<u>8,520,758</u>	<u>4,450,768</u>
Total	<u>\$ 19,561,254</u>	<u>\$ 16,001,503</u>	<u>\$ 22,758,104</u>	<u>\$ 19,477,554</u>	<u>\$ 42,319,358</u>	<u>\$ 35,479,057</u>

The total increase in the City of Loma Linda investment in capital assets for fiscal year 2006 was 19.3% (a 22.3% increase in *governmental activities* and 16.8% increase in *business-type activities*). The major capital assets added include: \$941,681 for re-roofing civic center buildings; \$115,910 for security cameras at the civic center and two City parks; \$1,880,927 for street improvements; \$327,642 for traffic signals additions; \$212,500 for upgrade and replacement of sewer lines and lift station; \$887,660 for water line replacements, blending station and well upgrades; and \$3.3 million for the installation of fiber optics infrastructure and computer equipment for the Loma Linda Connected Communities Program.

Long-Term Debt

Governmental Activities - On July 23, 2002, the City took advantage of lower interest rates, by entered into a lease agreement with CaLease Public Funding for the purchase of various pieces of equipment in the amount of \$543,700; at June 30, 2006, the outstanding balance is \$176,174. In fiscal year 2003, the City of Loma Linda and the Loma Linda Redevelopment Agency formed the Loma Linda Public Financing Authority, pursuant to a joint exercise of powers agreement dated September 10, 2002. This action allowed the City to issue \$10.2 million in Lease Revenue Refunding Bonds (to refund 1994 Certificates of Participation), which reduced annual debt service payments, as of June 30, 2006 outstanding principal is \$8,185,000. In fiscal year 2004, the Redevelopment Agency issued \$12.6 million in tax allocation revenue bonds to refund higher-interest rate debt of the Agency as well as provide for additional funding for future redevelopment projects, currently the outstanding balance is \$11,770,000. Additionally, in December of 2005, the Redevelopment Agency issued \$25.5 million in subordinate tax allocation revenue bonds; the issue was a combination of \$15.1 million of tax exempt and \$10.4 million of taxable bonds. Note 6 to the financial statements offer a more detailed view of governmental Long-Term Debt.

Business-type Activities - The water enterprise fund has \$8,582,202 in outstanding long-term debt as of June 30, 2006. The water enterprise fund has bonded debt of \$8,340,000 consisting of the 1978 Water Bonds (General Obligation) with a current outstanding balance of \$20,000, scheduled to be redeemed in the fiscal year 2006; and the 1995 Variable Rate Water Revenue Refunding Bonds issued for \$10,000,000 with an outstanding balance of \$8,320,000. Both bond issues are paid with water operating revenues and a portion of water development impact fees for excess capacity previous built into the water system. The water enterprise fund also participated in the CaLease Public Funding purchase of equipment in the amount of \$347,100 and currently has a balance of \$115,737. Additional detailed information for Bonds Payable is shown in Note 6 to the financial statements.

Table 6
City of Loma Linda
Long-Term Debt at Year End

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Tax Allocation Refunding Bonds	\$ 11,770,000	\$ 12,230,000	\$ -	\$ -	\$ 11,770,000	\$ 12,230,000
Subordinate 2005 A Tax Allocation Bonds	15,100,000	-	-	-	15,100,000	-
Subordinate 2005 B Tax Allocation Bonds	10,435,000	-	-	-	10,435,000	-
Lease Revenue Refunding Bonds	8,185,000	8,880,000	-	-	8,185,000	8,880,000
1978 Water Bonds (General Obligation)	-	-	20,000	20,000	20,000	20,000
1995 Water Revenue Refunding Bonds	-	-	8,320,000	8,555,000	8,320,000	8,555,000
Compensated absences	466,836	422,876	126,465	111,866	593,301	534,742
Capital leases	176,174	287,177	115,737	188,635	291,911	475,812
Less: Unamortized loss on defeasance	(548,059)	(596,162)	-	-	(548,059)	(596,162)
Add: Unamortized bond premium	677,173	387,267	-	-	677,173	387,267
Add: Unamortized discount	(77,471)	-	-	-	(77,471)	-
Total	<u>\$ 46,184,653</u>	<u>\$ 21,611,158</u>	<u>\$ 8,582,202</u>	<u>\$ 8,875,501</u>	<u>\$ 54,766,855</u>	<u>\$ 30,486,659</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

According to the Los Angeles County Economic Development Corp. (LAEDC), the Inland Empire (Riverside-San Bernardino area) experienced a good economic year in 2005, which is projected to continue in 2006. The Inland Empire will continue its pace in job growth with an increase of 2.1% in non-farm employment through 2006. Numerically, this equals 25,200 jobs for the area. The unemployment rate is projected to decline to 4.9% during 2006, contributing to the projected increase in personal income over the year. The Riverside-San Bernardino area is projected to once again lead the state in new residential construction activity, although overall this sector is expected to decline by 4.2% in 2006. With the area population numbers continuing to climb, growth pressures and the basic principles of supply and demand have been driving housing prices up. San Bernardino County's median home price is now reported to have reached \$360,000, a jump of 18.4% from a year ago in April. According to Jack Kyser, chief economist for the LAEDC, "San Bernardino County certainly seems to be the healthiest sector in the housing market".

Loma Linda, like many cities in San Bernardino County, has experienced a steady economic growth in the current fiscal year. The City has seen increases in population, job growth and housing, and is projected to continue seeing moderate, but steady growth in the next few years. Like most cities experiencing continuous growth Loma Linda is faced with the challenges of increasing demands on city services. In an effort to address the additional demands for services, staff is currently working on several projects to maintain solid economic growth for the community, while preserving the existing level of services provided to the community. Staff is working diligently to make these projects a reality for the near future.

On June 27, 2006, the City Council and Redevelopment Agency (RDA) Board adopted the City of Loma Linda and RDA Operating and Capital Improvement Program (CIP) Budget for the Fiscal Year beginning July 1, 2006 and ending June 30, 2007. The General Fund operating budget totals \$13,854,500, and is funded by operating revenue of \$12,169,900 and transfers from other funds of \$2,013,200. The fund balance in the General Fund is expected to increase to \$5,409,150 with \$2,709,150 available and \$2,700,000 designated as an operating budget reserve. The combined City/RDA operating budget totals \$67,293,300, with total estimated resources available of \$103,486,550, for fiscal year 2006/2007. The approved CIP budget for fiscal year 2006/2007 totals \$29,047,000, with a five-year CIP investment plan estimated at \$33,813,100.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. For any questions about this report or additional financial information, please contact the City Manager and/or Finance Director/Treasurer of the City of Loma Linda, located at 25541 Barton Road, Loma Linda, CA 92354, (909) 799-2840, or visit their website at www.lomalinda-ca.gov.

BASIC FINANCIAL STATEMENTS

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Government-Wide Financial Statements



GOVERNMENT-WIDE FINANCIAL STATEMENTS

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CITY OF LOMA LINDA
Statement of Net Assets
June 30, 2006

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments	\$ 39,324,281	\$ 8,043,714	\$ 47,367,995
Receivables:			
Accounts	625,434	548,979	1,174,413
Taxes	898,454	-	898,454
Interest	480,637	90,907	571,544
Contract and loans	1,119,321	-	1,119,321
Internal balances	(1,209,088)	1,209,088	-
Due from other governments	490,792	165,000	655,792
Inventories	18,115	237,318	255,433
Prepaid items	281,122	135,357	416,479
Deferred charges	1,562,775	63,333	1,626,108
Land held for resale	12,449,141	-	12,449,141
Restricted assets:			
Cash and investments with fiscal agents	3,516,710	37,819	3,554,529
Capital assets:			
Non-depreciable	8,410,131	3,232,674	11,642,805
Depreciable, net	11,151,123	19,525,430	30,676,553
Total capital assets	19,561,254	22,758,104	42,319,358
Total assets	79,118,948	33,289,619	112,408,567
LIABILITIES			
Accounts payable	1,949,332	953,484	2,902,816
Interest payable	1,116,437	-	1,116,437
Accrued liabilities	66,491	23,444	89,935
Deposits payable	542,872	306,235	849,107
Unearned revenue	277,149	-	277,149
Noncurrent liabilities:			
Due within one year	2,396,431	387,970	2,784,401
Due in more than one year	43,788,222	8,194,232	51,982,454
Total liabilities	50,136,934	9,865,365	60,002,299
NET ASSETS			
Invested in capital assets, net of related debt	(2,238,756)	14,302,367	12,063,611
Restricted for:			
Public works project	13,121,939	-	13,121,939
Public safety	550,831	-	550,831
Community development	7,306,273	-	7,306,273
General government	183,658	-	183,658
Debt service	1,122,313	37,819	1,160,132
Total restricted net assets	22,285,014	37,819	22,322,833
Unrestricted	8,935,756	9,084,068	18,019,824
Total net assets	\$ 28,982,014	\$ 23,424,254	\$ 52,406,268

See accompanying Notes to Basic Financial Statements.

CITY OF LOMA LINDA
Statement of Activities
For the year ended June 30, 2006

Functions/Programs	Expenses	Program Revenues			Total
		Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants	
Primary Government:					
Governmental activities:					
General government	\$ 3,421,268	\$ 1,947,006	\$ 55,646	\$ -	\$ 2,002,652
Public safety	5,202,552	819,202	106,901	-	926,103
Community development	3,242,959	4,597,148	6,158	-	4,603,306
Public works	3,609,940	3,117,229	459,604	648,198	4,225,031
Interest on long-term debt	2,940,179	-	-	-	-
Total governmental activities	18,416,898	10,480,585	628,309	648,198	11,757,092
Business-type activities:					
Water acquisition	590,177	1,084,782	-	-	1,084,782
Water enterprise	4,872,363	3,484,542	-	500,325	3,984,867
Sewer capital	2,901,877	2,630,238	-	59,223	2,689,461
Loma Linda Connected Communities	866,377	111,773	-	-	111,773
Total business-type activities	9,230,794	7,311,335	-	559,548	7,870,883
Total primary government	\$ 27,647,692	\$ 17,791,920	\$ 628,309	\$ 1,207,746	\$ 19,627,975

General revenues:

Taxes:

Property taxes, levied for general purpose

Sales taxes

Franchise tax

Other taxes

Motor vehicle in lieu

Investment revenue

Miscellaneous

Total general revenues

Change in net assets

Net assets - beginning of year, as restated

Net assets - ending of year

Net (Expense) Revenue and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (1,418,616)	\$ -	\$ (1,418,616)
(4,276,449)	-	(4,276,449)
1,360,347	-	1,360,347
615,091	-	615,091
(2,940,179)	-	(2,940,179)
(6,659,806)	-	(6,659,806)
-	494,605	494,605
-	(887,496)	(887,496)
-	(212,416)	(212,416)
-	(754,604)	(754,604)
-	(1,359,911)	(1,359,911)
(6,659,806)	(1,359,911)	(8,019,717)
8,381,521	-	8,381,521
2,848,890	-	2,848,890
6,995	-	6,995
81,050	-	81,050
1,511,940	-	1,511,940
1,856,519	986,355	2,842,874
408,670	300,206	708,876
15,095,585	1,286,561	16,382,146
8,435,779	(73,350)	8,362,429
20,546,235	23,497,604	44,043,839
\$ 28,982,014	\$ 23,424,254	\$ 52,406,268

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Fund Financial Statements



Governmental Fund Financial Statements

The ***General Fund*** is the City's primary operating fund. It accounts for all financial resources of the general government except those required to be accounted for in another fund.

The ***Loma Linda Redevelopment Agency Debt Service Fund*** accounts for the accumulation of resources of payment for interest and principal on long-term debt of the Agency.

The ***Special Projects Construction Fund*** accounts for special or extraordinary projects, activities and allocations that might be recommended by staff and determined needed by the City Council.

The ***Loma Linda Redevelopment Agency Capital Projects Fund*** accounts for the financing, construction and administrative activities of the agency.

CITY OF LOMA LINDA
Balance Sheet
Governmental Funds
June 30, 2006

	Major Funds			
	General	Debt Service Fund	Capital Projects Funds	
		Redevelopment Agency	Special Projects Construction	Redevelopment Agency
ASSETS				
Cash and investments	\$ 6,220,798	\$ -	\$ 2,683,245	\$ 24,875,397
Receivables:				
Accounts	308,274	-	17,498	157,912
Taxes	457,751	307,845	-	77,425
Interest	65,812	31,333	28,726	298,022
Contract and loans	-	-	-	1,119,321
Due from other funds	126,497	302,525	185,857	479,612
Due from other governments	31,327	-	-	95,542
Inventories	18,115	-	-	-
Prepaid items	224,610	-	-	51,502
Land held for resale	-	-	-	12,449,141
Advances to other funds	-	-	11,750,750	5,792,100
Restricted assets:				
Cash and investments with fiscal agents	-	2,373,583	-	-
Total assets	\$ 7,453,184	\$ 3,015,286	\$ 14,666,076	\$ 45,395,974
LIABILITIES AND FUND BALANCE				
Liabilities:				
Accounts payable	\$ 613,460	\$ -	\$ 35,923	\$ 882,452
Accrued liabilities	55,865	-	-	9,636
Due to other funds	-	59,021	-	690,606
Deposits payable	494,350	-	1,500	38,481
Deferred revenue	-	-	7,256,161	107,586
Unearned revenue	-	-	-	-
Advances from other funds	152,500	7,584,049	-	11,210,779
Total liabilities	1,316,175	7,643,070	7,293,584	12,939,540
Fund Balance:				
Reserved for:				
Encumbrances	193,826	-	-	2,642,335
Inventories	18,115	-	-	-
Prepaid items	224,610	-	-	51,502
Sewer capacity rights	-	-	-	79,862
Long-term receivables	-	-	-	1,039,459
Land held for resale	-	-	-	12,449,141
Advances to other funds	-	-	11,750,750	5,792,100
Debt service	-	2,373,583	-	-
Unreserved, undesignated reported in:				
General Fund	5,700,458	-	-	-
Special revenue funds	-	-	-	-
Debt service funds	-	(7,001,367)	-	-
Capital projects funds	-	-	(4,378,258)	10,402,035
Total fund balance	6,137,009	(4,627,784)	7,372,492	32,456,434
Total liabilities and fund balance	\$ 7,453,184	\$ 3,015,286	\$ 14,666,076	\$ 45,395,974

See accompanying Notes to Basic Financial Statements.

Nonmajor Governmental Funds		Total Governmental Funds	
\$	5,544,841	\$	39,324,281
	141,750		625,434
	55,433		898,454
	56,744		480,637
	-		1,119,321
	-		1,094,491
	363,923		490,792
	-		18,115
	5,010		281,122
	-		12,449,141
	195,390		17,738,240
	1,143,127		3,516,710
\$	7,506,218	\$	78,036,738
\$	417,497	\$	1,949,332
	990		66,491
	344,864		1,094,491
	8,541		542,872
	379,210		7,742,957
	277,149		277,149
	-		18,947,328
	1,428,251		30,620,620
	113,052		2,949,213
	-		18,115
	5,010		281,122
	-		79,862
	-		1,039,459
	-		12,449,141
	195,390		17,738,240
	-		2,373,583
	-		5,700,458
	1,484,918		1,484,918
	1,122,313		(5,879,054)
	3,157,284		9,181,061
	6,077,967		47,416,118
\$	7,506,218	\$	78,036,738

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CITY OF LOMA LINDA
Reconciliation of the Governmental Funds Balance Sheet
to the Government-Wide Statement of Net Assets
June 30, 2006

Fund Balance - Total Governmental Funds	\$ 47,416,118
Amounts reported for governmental activities in the Statement of Net Assets were different because:	
Capital assets used in governmental activities were not current financial resources. Therefore, they were not reported in the Governmental Funds' Balance Sheet.	19,561,254
Long-term liabilities were not due and payable in the current period. Therefore, they were not reported in the Governmental Funds' Balance Sheet.	
Bonds payable, net of unamortized loss of defeasance, premium and discount	(45,541,643)
Capital lease	(176,174)
Compensated absences	(466,836)
	(46,184,653)
Bond issuance costs from issuing debt were expenditures in the fund financial statements. However, they were deferred and subject to capitalization and amortization in the Government-Wide Financial Statements.	1,562,775
Interest payable on long-term debt did not require current financial resources. Therefore, interest payable was not reported as a liability in the Governmental Funds' Balance Sheet.	(1,116,437)
Revenues were recorded as deferred revenue in the Governmental Funds' Balance Sheet because they did not meet the revenue recognition criteria. However, they were reclassified as revenues in the Government-Wide Financial Statements.	7,742,957
Net Assets of Governmental Activities	\$ 28,982,014

See accompanying Notes to Basic Financial Statements.

CITY OF LOMA LINDA

Statement of Revenues, Expenditures, and Changes in Fund Balance

Governmental Funds

For the year ended June 30, 2006

	Major Funds			
	General Fund	Debt Service Fund Redevelopment Agency	Capital Projects Funds Special Projects Construction Redevelopment Agency	
REVENUES:				
Taxes	\$ 4,667,281	\$ 4,772,247	\$ -	\$ 1,327,290
Licenses and permits	949,820	-	-	-
Intergovernmental	1,527,752	-	-	-
Charges for services	2,790,584	-	-	-
Use of money and property	524,866	64,562	69,015	904,944
Fines and forfeitures	16,812	-	-	-
Contributions	-	-	-	-
Miscellaneous	1,722,359	-	395,863	12,473
Developer fees	-	-	-	-
Total revenues	12,199,474	4,836,809	464,878	2,244,707
EXPENDITURES:				
Current:				
General government	1,176,235	-	-	1,926,115
Public safety	5,447,594	-	-	-
Community development	1,674,121	-	-	2,459,277
Public works	3,231,454	-	42,209	-
Capital outlay	-	-	-	-
Debt service:				
Principal retirement	106,699	464,304	-	-
Interest and fiscal charges	11,411	1,832,182	-	-
Bond issuance costs	-	-	-	899,273
Total expenditures	11,647,514	2,296,486	42,209	5,284,665
REVENUES OVER (UNDER) EXPENDITURES	551,960	2,540,323	422,669	(3,039,958)
OTHER FINANCING SOURCES (USES):				
Bond proceeds	-	-	-	25,535,000
Premium on bonds	-	-	-	313,969
Discount on bonds	-	-	-	(79,798)
Transfers in	1,406,059	-	-	70,000
Transfers out	(981,860)	-	(462,960)	(70,000)
Total other financing (uses) sources	424,199	-	(462,960)	25,769,171
Net change in fund balance	976,159	2,540,323	(40,291)	22,729,213
FUND BALANCE:				
Beginning of year, as restated	5,160,850	(7,168,107)	7,412,783	9,727,221
End of year	\$ 6,137,009	\$ (4,627,784)	\$ 7,372,492	\$ 32,456,434

See accompanying Notes to Basic Financial Statements.

Nonmajor Governmental Funds		Total Governmental Funds	
\$	1,048,813	\$	11,815,631
	-		949,820
	1,252,416		2,780,168
	179,434		2,970,018
	168,179		1,731,566
	502,141		518,953
	1,000		1,000
	56,503		2,187,198
	3,320,882		3,320,882
	6,529,368		26,275,236
	16,888		3,119,238
	27,254		5,474,848
	941,085		5,074,483
	1,583,721		4,857,384
	466,557		466,557
	695,000		1,266,003
	300,513		2,144,106
	-		899,273
	4,031,018		23,301,892
	2,498,350		2,973,344
	-		25,535,000
	-		313,969
	-		(79,798)
	981,860		2,457,919
	(943,099)		(2,457,919)
	38,761		25,769,171
	2,537,111		28,742,515
	3,540,856		18,673,603
\$	6,077,967	\$	47,416,118

CITY OF LOMA LINDA

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance to the Government-Wide Statement of Activities and Changes in Net Assets For the year ended June 30, 2006

Net Change in Fund Balances – Total Governmental Funds	\$ 28,742,515
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Amounts reported for governmental activities in the Statement of Activities and Changes in Net Assets were different because:

Acquisition of capital assets was reported as expenditures in the governmental funds. However, in the Government-Wide Statement of Activities and Changes in Net Assets, the cost of those assets was allocated over the estimated useful lives as depreciation expense. The following was the amount of capital assets recorded in the current period:

General government	15,616
Public safety	408,458
Community development	2,008,309
Public works	1,576,598
Capital outlay	466,557

Depreciation expense on capital assets was reported in the Government-Wide Statement of Activities and Changes in Net Assets, but they did not require the use of current financial resources. Therefore, depreciation expense was not reported as an expenditure in the governmental funds.	(915,787)
--	-----------

Amortization expense was reported in the Government-Wide Statement of Activities and Changes in Net Assets, but it did not require the use of current financial resources. Therefore, amortization expense was not reported as an expenditure in the governmental funds.

Amortization of deferred charges	(63,738)
Amortization of loss of defeasance	(48,103)
Amortization of premium	24,062
Amortization of discount	(2,327)

Long-term compensated absences was reported in the Government-Wide Statement of Activities and Changes in Net Assets, but it did not require the use of current financial resources. Therefore, long-term compensated absences was not reported as an expenditure in the governmental funds.	(43,960)
--	----------

Proceeds from long-term debt provided current financial resources to governmental funds, but issuing debt increased long term liabilities in the Government-Wide Statement of Net Assets. Repayment of bond principal was an expenditure in the governmental funds, but the repayment reduced long-term liabilities in the Government-Wide Statement of Net Assets.

Long-term debt proceeds	(25,535,000)
Premium on bonds issued	(313,969)
Discount on bonds issued	79,798
Principal payment	1,266,003

Interest expense on long-term debt is reported in the Government-Wide Statement of Activities and Changes in Net Assets, but it did not require the use of current financial resources. Therefore, interest expense was not reported as an expenditure in the governmental funds. The reconciling amount is the change in accrued interest from the prior year.	(705,967)
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Cost of issuance was an expenditure in the governmental funds, but the issuance cost was capitalized in the Government-Wide Statement of Net Assets and is to be amortized over the life of the bond.	899,273
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Certain revenues were recorded as deferred revenue in the governmental funds because they did not meet the revenue recognition criteria of availability. However, they were included as revenue in the Governmental-Wide Statement of Activities and Changes in Net Assets under the full accrual basis.

577,441

Change in net assets of governmental activities	\$ 8,435,779
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See accompanying Notes to Basic Financial Statements.

Proprietary Fund Financial Statements

The ***Water Acquisition Fund*** accounts for developer fees collected to pay for the expansion of the water system and for debt service on qualifying projects.

The ***Water Enterprise Fund*** is used to account for water production, distribution and meters.

The ***Sewer Capital Fund*** accounts for the operation and maintenance of the City's sewer, storm drain and catch basin systems.

The ***Loma Linda Connected Communities Program Fund*** provides Loma Linda residents and businesses with the opportunities for voice, data, video, multimedia, home automation systems, environmental control, security, audio, television, sensors, alarms and intercom services. The program establishes the standardized requirements for residential and commercial telecommunications cabling systems. The initial intent is to connect new development to the system, but the long-term goal is to eventually retrofit and extend these services to the entire community.

CITY OF LOMA LINDA
Statement of Net Assets
Proprietary Funds
June 30, 2006

	Enterprise Funds				
	Water Acquisition	Water Enterprise	Sewer Capital	Loma Linda Connected Communities	Total
ASSETS					
Current assets:					
Cash and investments	\$ 3,450,487	\$ 1,800,757	\$ 2,207,937	\$ 584,533	\$ 8,043,714
Receivables:					
Accounts	-	252,885	289,448	6,646	548,979
Interest	29,151	25,279	27,228	9,249	90,907
Due from other governments	165,000	-	-	-	165,000
Inventories	-	236,714	604	-	237,318
Prepaid items	-	99,992	35,050	315	135,357
Deferred charges	-	63,333	-	-	63,333
Total current assets	3,644,638	2,478,960	2,560,267	600,743	9,284,608
Noncurrent assets:					
Advances to other funds	6,848,688	152,500	-	-	7,001,188
Restricted cash and investments:					
Cash and investments with fiscal agents	-	37,819	-	-	37,819
Capital assets:					
Non-depreciable	-	1,802,832	-	1,429,842	3,232,674
Depreciable, net	-	13,603,625	2,841,228	3,080,577	19,525,430
Total capital asset	-	15,406,457	2,841,228	4,510,419	22,758,104
Total noncurrent assets	6,848,688	15,596,776	2,841,228	4,510,419	29,797,111
Total assets	10,493,326	18,075,736	5,401,495	5,111,162	39,081,719
LIABILITIES					
Current liabilities:					
Accounts payable	235,212	177,191	329,252	211,829	953,484
Accrued liabilities	-	15,853	5,844	1,747	23,444
Deposits payable	16,581	52,825	224,563	12,266	306,235
Long-term debt - due within one year	-	357,616	26,708	3,646	387,970
Total current liabilities	251,793	603,485	586,367	229,488	1,671,133
Noncurrent liabilities:					
Advances from other funds	-	-	-	5,792,100	5,792,100
Long-term debt - due in more than one year	-	8,159,710	31,111	3,411	8,194,232
Total noncurrent liabilities	-	8,159,710	31,111	5,795,511	13,986,332
Total liabilities	251,793	8,763,195	617,478	6,024,999	15,657,465
NET ASSETS					
Invested in capital assets, net of related debt	-	6,970,868	2,821,080	4,510,419	14,302,367
Restricted for: debt service	-	37,819	-	-	37,819
Unrestricted	10,241,533	2,303,854	1,962,937	(5,424,256)	9,084,068
Total net assets	\$ 10,241,533	\$ 9,312,541	\$ 4,784,017	\$ (913,837)	\$ 23,424,254

See accompanying Notes to Basic Financial Statements.

CITY OF LOMA LINDA

Statement of Revenues, Expenditures, and Changes in Fund Net Assets

Proprietary Funds

For the year ended June 30, 2006

	Enterprise Funds				Total
	Water Acquisition	Water Enterprise	Sewer Capital	Loma Linda Connected Communities	
OPERATING REVENUES:					
Charges for services	\$ 1,084,782	\$ 3,484,542	\$ 2,630,237	\$ 111,313	\$ 7,310,874
Miscellaneous	-	107,364	192,812	491	300,667
Total operating revenues	<u>1,084,782</u>	<u>3,591,906</u>	<u>2,823,049</u>	<u>111,804</u>	<u>7,611,541</u>
OPERATING EXPENSES:					
Treatment	-	-	2,300,763	-	2,300,763
Cost of sales and services	590,177	2,769,338	-	442,631	3,802,146
Administration and general	-	1,031,340	426,726	176,637	1,634,703
Depreciation	-	803,710	173,033	247,109	1,223,852
Total operating expenses	<u>590,177</u>	<u>4,604,388</u>	<u>2,900,522</u>	<u>866,377</u>	<u>8,961,464</u>
Operating income (loss)	<u>494,605</u>	<u>(1,012,482)</u>	<u>(77,473)</u>	<u>(754,573)</u>	<u>(1,349,923)</u>
NONOPERATING REVENUES (EXPENSES):					
Interest revenue	790,261	94,910	88,843	12,341	986,355
Interest expense	-	(267,975)	(1,355)	-	(269,330)
Net nonoperating revenues (expenses)	<u>790,261</u>	<u>(173,065)</u>	<u>87,488</u>	<u>12,341</u>	<u>717,025</u>
Income (loss) before contributions and transfers	<u>1,284,866</u>	<u>(1,185,547)</u>	<u>10,015</u>	<u>(742,232)</u>	<u>(632,898)</u>
Capital contribution	-	500,325	59,223	-	559,548
Transfers in	-	388,297	-	-	388,297
Transfers out	(388,297)	-	-	-	(388,297)
Change in net assets	<u>896,569</u>	<u>(296,925)</u>	<u>69,238</u>	<u>(742,232)</u>	<u>(73,350)</u>
NET ASSETS:					
Beginning of year, as restated	<u>9,344,964</u>	<u>9,609,466</u>	<u>4,714,779</u>	<u>(171,605)</u>	<u>23,497,604</u>
End of year	<u>\$ 10,241,533</u>	<u>\$ 9,312,541</u>	<u>\$ 4,784,017</u>	<u>\$ (913,837)</u>	<u>\$ 23,424,254</u>

See accompanying Notes to Basic Financial Statements.

CITY OF LOMA LINDA
Statement of Cash Flows
Proprietary Funds
For the year ended June 30, 2006

	Enterprise Funds				
	Water Acquisition	Water Enterprise	Sewer Capital	Loma Linda Connected Communities	Total
CASH FLOWS FROM OPERATING ACTIVITIES:					
Cash received from customers and users	\$ 1,084,782	\$ 8,573,542	\$ 2,786,942	\$ 117,868	\$ 12,563,134
Payments to suppliers for operations	(442,033)	(7,804,491)	(2,333,173)	(344,688)	(10,924,385)
Payments for general and administrative expenses	-	(953,376)	(421,628)	(177,340)	(1,552,344)
Net cash provided (used) by operating activities	642,749	(184,325)	32,141	(404,160)	86,405
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Cash transfers	(388,297)	388,297	-	-	-
Advances	(322,367)	655,000	-	3,484,100	3,816,733
Net cash provided (used) by noncapital financing activities	(710,664)	1,043,297	-	3,484,100	3,816,733
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Acquisition of capital assets	-	(956,898)	(275,060)	(2,712,896)	(3,944,854)
Principal paid on long-term debt	-	(291,894)	(12,669)	(2,620)	(307,183)
Interest paid on long-term debt	-	(267,975)	(1,355)	-	(269,330)
Net cash provided (used) by capital and related financing activities	-	(1,516,767)	(289,084)	(2,715,516)	(4,521,367)
CASH FLOWS FROM INVESTING ACTIVITIES:					
Interest received	773,225	89,420	78,963	3,092	944,700
Net cash provided (used) by investing activities	773,225	89,420	78,963	3,092	944,700
Net increase (decrease) in cash and equivalents	705,310	(568,375)	(177,980)	367,516	326,471
CASH AND CASH EQUIVALENTS:					
Beginning of year	2,745,177	2,406,951	2,385,917	217,017	7,755,062
End of year	<u>\$ 3,450,487</u>	<u>\$ 1,838,576</u>	<u>\$ 2,207,937</u>	<u>\$ 584,533</u>	<u>\$ 8,081,533</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:					
Operating income (loss)	\$ 494,605	\$ (1,012,482)	\$ (77,473)	\$ (754,573)	\$ (1,349,923)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Prior period adjustment	(4,878,341)	4,878,341	-	-	-
Depreciation	-	803,710	173,033	247,109	1,223,852
(Increase) decrease in accounts receivable	-	103,295	(36,107)	6,064	73,252
(Increase) decrease in due from other funds	4,878,341	-	-	-	4,878,341
(Increase) decrease in due from other governments	-	-	-	-	-
(Increase) decrease in inventories	-	(67,849)	(84)	-	(67,933)
(Increase) decrease in prepaid items	-	59,623	1,061	(315)	60,369
Increase (decrease) in accounts payable	148,144	(98,903)	(32,325)	104,091	121,007
Increase (decrease) in accrued liabilities	-	4,206	954	(388)	4,772
Increase (decrease) in due to other funds	-	(4,878,341)	-	-	(4,878,341)
Increase (decrease) in deposits payable	-	9,940	(1)	(6,148)	3,791
Increase (decrease) in compensated absences	-	14,135	3,083	-	17,218
Total adjustments	148,144	828,157	109,614	350,413	1,436,328
Net cash provided (used) by operating activities	\$ 642,749	\$ (184,325)	\$ 32,141	\$ (404,160)	\$ 86,405

See accompanying Notes to Basic Financial Statements.

Fiduciary Fund Financial Statements

Agency Funds are used to report resources held by the City in a purely custodial capacity, which involves only the receipt, temporary investment and remittance of fiduciary resources to individuals, private organizations or other governments.

CITY OF LOMA LINDA
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2006

	<u>Agency Funds</u>
ASSETS	
Cash and investments	\$ 100,792
Total assets	<u>\$ 100,792</u>
LIABILITIES	
Deposits payable	\$ 100,792
Total liabilities	<u>\$ 100,792</u>

See accompanying Notes to Basic Financial Statements.

Notes to the Financial Statements



CITY OF LOMA LINDA
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For the year ended June 30, 2006

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For the year ended June 30, 2006

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CITY OF LOMA LINDA
Notes to Basic Financial Statements
For the year ended June 30, 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Loma Linda, California (City), was incorporated on September 29, 1970 under the laws of the State of California. The City became a chartered City in 1981. It is governed by an elected five-member board. As required by generally accepted accounting principles (GAAP), the accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities are, in substance, part of the City's operations and so data from these units are combined with data of the City as the primary government. For financial reporting purposes, the City's financial statements include all funds, boards and commissions, and authorities that are controlled by or are dependent on the City's legislative branch, the City Council. The City has the following blended component units:

Loma Linda Redevelopment Agency - The Loma Linda Redevelopment Agency (Agency) was activated on March 29, 1979 pursuant to the State of California Health and Safety Code, Section 33000 entitled "Community Development Law". The primary purpose of the Agency is to encourage private redevelopment of property and to rehabilitate areas suffering from economic disuse arising from poor and inadequate planning, inadequate street layout and street access, lack of open space, landscaping and other improvements and facilities necessary to establish and maintain the economic growth of the City.

Loma Linda Public Financing Authority - The Loma Linda Public Financing Authority (Authority) was established on September 10, 2002 pursuant to Article 1 (commencing with Section 6500) of Chapter 5 of Division 7 of Title 1 of the California Government Code in order to jointly exercise powers of the Agency and the City and to establish a vehicle to reduce local borrowing costs and promote greater use of existing and new financial instruments.

The Agency issues separate component unit financial statements and these can be obtained from the City of Loma Linda Finance Department, 25541 Barton Road, Loma Linda, CA 92354. Separate financial statements are not prepared for the Authority.

B. Basis of Accounting and Measurement Focus

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for in a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. City resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

CITY OF LOMA LINDA

Notes to Basic Financial Statements, Continued

For the year ended June 30, 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus, Continued

Government-Wide Financial Statements

The City's Government-Wide Financial Statements include a Statement of Net Assets and a Statement of Activities and Changes in Net Assets. These statements present summaries of Governmental and Business-Type Activities for the City accompanied by a total column. Fiduciary activities of the City are not included in these statements.

The Government-Wide Financial Statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all of the City's assets and liabilities, including capital assets, as well as infrastructure assets, and long-term liabilities, are included in the accompanying Statement of Net Assets. The Statement of Activities presents changes in net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. The types of transactions reported as program revenues for the City are reported in three categories: 1) charges for services, 2) operating grants and contributions, and 3) capital grants and contributions.

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, payables and receivables including the corresponding deferred revenues. All internal balances in the Statement of Net Assets have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the Statement of Activities, internal service fund transactions have been eliminated. However, transactions between governmental and business-type activities have not been eliminated. The following interfund activities have been eliminated:

- Due to and from other funds
- Advances to and from other funds
- Transfers in and out

The City applies all applicable GASB pronouncements (including all NCGA Statements and Interpretations currently in effect) as well as the following pronouncements issued on or before November 30, 1989, to the business-type activities, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARB) of the committee on Accounting Procedure. The City applies all applicable FASB Statements and Interpretations issued after November 30, 1989, except those that conflict with or contradict GASB pronouncements.

CITY OF LOMA LINDA

Notes to Basic Financial Statements, Continued

For the year ended June 30, 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus, Continued

Governmental Fund Financial Statements

Governmental Fund Financial Statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balance for all major governmental funds and nonmajor funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in net assets as presented in these statements to the net assets presented in the Government-Wide financial statements. The City has presented all major funds that met the qualifications for major fund reporting.

All governmental funds are accounted for on a spending or "current financial resources" measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheets. The Statement of Revenues, Expenditures and Changes in Fund Balance presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period.

Revenues are recorded when received in cash, except that revenues subject to accrual (generally 60 days after year-end, except sales tax which is considered available if collected within 90 days) are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the City, are property tax, taxpayer-assessed tax revenues (transient occupancy taxes, franchise taxes, etc.), certain grant revenues and earnings on investments. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

Deferred revenues arise when potential revenues do not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when the government receives resources before it has a legal claim to them, as when grant monies are received prior to incurring qualifying expenditures. In subsequent periods when both revenue recognition criteria are met or when the government has a legal claim to the resources, the deferred revenue is removed from the balance sheet and revenue is recognized.

Reconciliation of the Fund Financial Statements to the Government-Wide Financial Statements is provided to explain the differences created by the integrated approach of GASB Statement No. 34.

CITY OF LOMA LINDA
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus, Continued

Proprietary Fund Financial Statements

Proprietary Fund Financial Statements include a Statement of Net Assets, a Statement of Revenues, Expenses and Changes in Fund Net Assets, and a Statement of Cash Flows for each major proprietary fund.

Proprietary funds are accounted for using the "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or non-current) are included on the Statement of Net Assets. The Statement of Revenues, Expenses and Changes in Fund Net Assets presents increases (revenues) and decreases (expenses) in total net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. In these funds, receivables have been recorded as revenue and provisions have been made for uncollectible amounts.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds are charges to customers for sales and services. Operating expenses for the proprietary funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Fiduciary Fund Financial Statements

Fiduciary Fund Financial Statements include a Statement of Net Assets. The City's Fiduciary Funds represent Agency Funds, which are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Agency Funds are accounted for using the accrual basis of accounting.

The City reports the following major governmental funds:

The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government except those required to be accounted for in another fund.

The Loma Linda Redevelopment Agency Debt Service Fund accounts for the accumulation of resources of payment for interest and principal on long-term debt of the Agency.

The Special Projects Construction Fund accounts for special or extraordinary projects, activities and allocations that might be recommended by staff and determined needed by the City Council.

The Loma Linda Redevelopment Agency Capital Projects Fund accounts for the financing, construction and administrative activities of the Agency.

CITY OF LOMA LINDA

Notes to Basic Financial Statements, Continued

For the year ended June 30, 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus, Continued

The City reports the following major proprietary funds:

The Water Acquisition Fund accounts for developer fees collected to pay for the expansion of the water system and for debt service on qualifying projects.

The Water Enterprise Fund is used to account for water production, distribution and meters.

The Sewer Capital Fund accounts for the operation and maintenance of the City's sewer, storm drain and catch basin systems.

The Loma Linda Connected Communities Program Fund provides Loma Linda residents and businesses with the opportunities for voice, data, video, multimedia, home automation systems, environmental control, security, audio, television, sensors, alarms and intercom services. The program establishes the standardized requirements for residential and commercial telecommunications cabling systems. The initial intent is to connect new development to the system, but the long-term goal is to eventually retrofit and extend these services to the entire community.

Additionally, the City reports the following fiduciary funds:

Agency Funds – These funds are used to report resources held by the City in a purely custodial capacity, which involves only the receipt, temporary investment and remittance of fiduciary resources to individuals, private organizations or other governments.

C. Use of Restricted/Unrestricted Net Assets

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the City's policy is to apply restricted net assets first.

D. Cash, Cash Equivalents and Investments

The City pools its available cash for investment purposes. The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturity of three months or less from the date of acquisition. Cash and cash equivalents are combined with investments and displayed as Cash and Investments.

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, highly liquid market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available.

CITY OF LOMA LINDA
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

D. Cash, Cash Equivalents and Investments, Continued

The City participates in an investment pool managed by the State of California titled *Local Agency Investment Fund* (LAIF) which has invested a portion of the pool funds in structured notes and asset-backed securities. LAIF's investments are subject to credit risk with the full faith and credit of the State of California collateralizing these investments. In addition, these structured notes and asset-backed securities are subject to market risk as to change in interest rates.

In accordance with GASB Statement No. 40, Deposit and Investment Disclosures (Amendment of GASB No. 3), certain disclosure requirements, if applicable, for Deposits and Investment Risks are specified in the following areas:

- Interest Rate Risk
- Credit Risk
 - Overall
 - Custodial Credit Risk
 - Concentrations of Credit Risk
- Foreign Currency Risk

In addition, other disclosures are specified including use of certain methods to present deposits and investments, highly sensitive investments, credit quality at year-end and other disclosures.

E. Receivables

All receivables are shown net of an allowance for doubtful accounts. The City accrues for unbilled water and sewer services at year-end.

F. Interfund Transactions

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans)." Any residual balances outstanding between the governmental activities and business-type activities are reported in the governmental-wide financial statements as "internal balances."

Quasi-external transactions are accounted for as revenue, expenditures or expenses, as appropriate. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursed fund. All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as transfers.

CITY OF LOMA LINDA
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

G. Inventories and Prepaid Items

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories in the General Fund consist of expendable supplies held for consumption, whereas in the Enterprise Funds it represents water stock in the water utility. Inventory costs are recorded as an expenditure when used.

The General Fund inventory is accounted for on the consumption method and is equally offset by a reservation of fund balance in the fund-level statements, which indicates that it does not constitute "available spendable resources".

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

H. Land held for Resale

Land purchased for resale is capitalized as inventory at acquisition cost or net releasable value, if lower.

I. Restricted Cash and Investments with Fiscal Agents

Certain restricted cash and investments are held by fiscal agents for the redemption of bonded debt and for acquisition and construction of capital projects.

J. Capital Assets

Capital assets, which include land, structures and improvements, machinery and equipment, infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), and construction in progress are reported in the applicable governmental or business-type activity columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Contributed and donated capital assets are valued at their estimated fair market value on the date contributed.

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34 which requires the inclusion of infrastructure capital assets in local governments' basic financial statements. In accordance with GASB Statement No. 34, the City has elected to defer recording and reporting of its major general infrastructure assets acquired prior to fiscal year 2002-2003. Recording and reporting by the City of these major general infrastructure assets is required by fiscal year 2006-2007. The City has reported general infrastructure asset acquired in the current year.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

CITY OF LOMA LINDA
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

J. Capital Assets, Continued

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of the capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Depreciation is recorded on a straight-line basis over estimated useful lives of the assets as follows:

Type of asset	Years
Structures and improvements	15 - 50
Machinery and equipment	3 - 10
Infrastructure	30 - 50

K. Interest Payable

In the government-wide financial statements, interest payable of long-term debt is recognized as the liability is incurred for governmental fund types and proprietary fund types.

L. Deferred Revenue

In the Government-Wide Financial Statements, deferred revenue is recognized for transactions for which revenue has not yet been earned. Typical transactions recorded as deferred revenues in the Government-Wide Financial Statements are prepaid charges for services.

In the Fund Financial Statements, deferred revenue is recorded when transactions have not yet met the revenue recognition criteria based on the modified accrual basis of accounting. The City records deferred revenue for transactions for which revenues have not been earned, or for which funds are not available to meet current financial obligations. Typical transactions for which deferred revenue is recorded are grants received but not yet earned or available, long-term loans receivables, and prepaid charges for services.

M. Compensated Absences

Vacation pay is payable to employees at the time a vacation is taken or upon termination of employment. Normally an employee cannot accrue more than 26 to 46 days depending on length of employment.

Sick leave is payable when an employee is unable to work because of illness. Upon termination an employee will be paid one-third of unused sick leave up to 344 hours for miscellaneous employees and 516 hours for safety employees. Sick leave hours earned above the maximum are paid out on a one-for-one basis.

All vacation and one-third of sick leave pay is accrued when incurred in the government-wide financial statements and proprietary funds. Compensated absences are primarily liquidated by the General Fund.

CITY OF LOMA LINDA
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

N. Long-Term Debt

Government-Wide Financial Statements - Long-term debt and other financed obligations are reported as liabilities in the appropriate funds. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable premium or discount. Issuance costs are reported as deferred charges.

Fund Financial Statements - The fund financial statements do not present long-term debt. As such, long-term debt is shown as a reconciling item in the Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Assets.

Governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financial sources. Premiums received on debt issuance are reported as other financing sources while discounts on debt issuance reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Proprietary Fund Financial Statements use the same principles as those used in the Government-Wide Financial Statements.

O. Fund Balance

Reservations of fund balance indicate those portions of fund balance unavailable for appropriation or amounts legally segregated for a specific future use. Designations of fund balance indicate tentative management plans for future uses of financial resources.

P. Net Assets

In the government-wide financial statements, net assets are classified in the following categories:

Invested in Capital Assets, Net of Related Debt – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that is attributed to the acquisition, construction, or improvement of the assets.

Restricted Net Assets – This amount is restricted by external creditors, grantors, contributors, or laws or regulations of other governments.

Unrestricted Net Assets – This amount is all net assets that do not meet the definition of “invested in capital assets, net of related debt” or “restricted net assets.”

CITY OF LOMA LINDA
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Q. Property Taxes

Property tax revenue is recognized on the modified accrual basis, that is, in the fiscal year for which the taxes have been levied providing they become available. Available means then due or past due, and receivable within the current period and collected within the current period or expected to be collected soon enough thereafter (not be exceed 60 days) to be used to pay liabilities of the current period. The County of San Bernardino collects property taxes for the City. Tax liens attach annually as of 12:01 A.M. on the first day in January preceding the fiscal year for which the taxes levied. Taxes are levied on both real and personal property, as it exists on that date. The tax levy covers the fiscal period July 1 to June 30. All secured personal property taxes and one-half of the taxes on real property are due November 1; the second installment is due February 1. All taxes are delinquent if unpaid on December 10 and April 10, respectively. Unsecured personal property taxes become due on the first of March each year and are delinquent, if unpaid, on August 31.

R. Use of Estimates

The preparation of the basic financial statements in conformity with generally accepted accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

S. Implementation of New GASB Pronouncements

The City adopted new accounting standards in order to conform to the following Governmental Accounting Standards Board Statements:

- GASB Statement No. 42 *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries* establishes accounting and financial reporting standards for impairment of capital assets. A capital asset is considered impaired when its service utility has declined significantly and unexpectedly. This Statement also clarifies and establishes accounting requirements for insurance recoveries.
- GASB Statement No. 44 *Economic Condition Reporting: The Statistical Section* (an amendment of NCGA Statement 1) guides the preparation of the statistical section. The statistical section presents detailed information, typically in ten-year trends, that assists users in utilizing the basic financial statements, notes to basic financial statements, and required supplementary information to assess the economic condition of a government.
- GASB Statement No. 46 *Net Assets Restricted by Enabling Legislation* addresses selected issues and amends GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. The Statement enhances the usefulness and comparability of net asset information and clarifies the meaning of legal enforceability. The Statement also specified accounting and financial reporting requirements for restricted net assets.
- GASB Statement No. 47 *Accounting for Termination Benefits* provides accounting guidance for state and local governmental employers regarding benefits (such as early-retirement incentives and severance benefits) provided to employees that are terminated. The Statement requires recognition of the cost of involuntary termination benefits in the period in which a government becomes obligated to provide benefits to terminated employees.

CITY OF LOMA LINDA
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

2. CASH AND INVESTMENTS

The City maintains a cash and investment pool, which includes cash balances and authorized investments of all funds. This pooled cash is invested by the City Treasurer to enhance interest earnings. The City has the following cash and investments at June 30:

	Government-Wide Statement of Net Assets		Funds Financials	
	Governmental	Business-Type	Fiduciary Funds	
	Activities	Activities	Statement of	Total
			Net Assets	
Cash and Investments	\$ 39,324,281	\$ 8,043,714	\$ 100,792	\$ 47,468,787
Restricted Cash and Investments	3,516,710	37,819	-	3,554,529
Total	\$ 42,840,991	\$ 8,081,533	\$ 100,792	\$ 51,023,316

The City's Cash and Investments at June 30 in more detail:

Cash and Cash equivalents:	
Petty Cash	\$ 1,100
Demand Deposit	(231,451)
Total cash and cash equivalents	(230,351)
Investments:	
Local Agency Investment Fund	47,699,138
Total cash and investments	47,468,787
Cash and Investments with Fiscal Agents	3,554,529
Total	\$ 51,023,316

A. Deposits

The carrying amounts of the City's demand deposits were (\$231,451) at June 30, 2006. Bank balances before reconciling items were \$494,362 at that date, the total amount of which was collateralized or insured with securities held by the pledging financial institutions in the City's name as discussed below.

The California Government Code requires California banks and savings and loan associations to secure the City's cash deposits by pledging securities as collateral. This Code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus, collateral for cash deposits is considered to be held in the City's name.

The market value of pledged securities must equal at least 110% of the City's cash deposits. California law also allows institutions to secure city deposits by pledging first trust deed mortgage notes having a value of 150% of the City's total cash deposits. The City may waive collateral requirements for cash deposits, which are fully insured up to \$100,000 by the Federal Deposit Insurance Corporation. The City, however, has not waived the collateralization requirements.

CITY OF LOMA LINDA
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

2. CASH AND INVESTMENTS, Continued

B. Investments

Under the provisions of the City's investment policy, and in accordance with California Government Code, the following investments were authorized:

- Securities of the U.S. Government, or its agencies
- Certificates of Deposits (or Time Deposits)
- Negotiable Certificates of Deposit
- Banker's Acceptance
- Commercial Paper
- Repurchase Agreements
- State of California Local Agency Investment Fund
- Passbook Savings Account Demand Deposits
- Other investments that are approved through the State of California Government Code

As of June 30, 2006, the City had \$47,699,138 invested in LAIF. The City valued its investments in LAIF as of June 30, 2006, by multiplying the account balance by a fair value factor determined by LAIF. LAIF determines fair value on its investment portfolio based on market quotations for those securities where market quotations are readily available and based on amortized cost or best estimate for those securities where market value is not readily available. This fair value factor was determined by dividing all LAIF participants' total aggregate amortized cost by total aggregate fair value resulting in a factor of 0.998185821.

The City's investments with LAIF at June 30, 2006, included 2.567% of the pooled funds invested in structured notes and asset-backed securities. These investments included the following:

Structured Notes: debt securities (other than asset-backed securities) whose cash flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or that have embedded forwards or options.

Asset-Backed Securities: generally mortgage-backed securities that entitle their purchasers to receive a share of the cash flows from a pool of assets such as principal and interest repayments from a pool of mortgages (for example, Collateralized Mortgage Obligations) or credit card receivables.

LAIF is overseen by the Local Agency Investment Advisory Board, which consists of five members, in accordance with State statute.

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, investments were stated at fair value using the aggregate method in all funds and component units.

C. Investments Authorized by Debt Agreements

Investment of debt proceeds held by a bond trustee are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the City's investment policy.

CITY OF LOMA LINDA
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

2. CASH AND INVESTMENTS, Continued

D. Risk Disclosures

Interest Rate Risk – The City’s investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The City has elected to use the segmented time distribution method of disclosure for its interest rate risk.

	Fair Value	Investment Maturities in Years Less Than 1 Year
External Pool:		
State of California - Local Agency Investment Fund	\$ 47,699,138	\$ 47,699,138

Credit Risk – As of June 30, 2006, the City’s investments in external investment pools are unrated.

Custodial Credit Risk – For deposits, custodial credit risk is the risk that, in the event of the failure of a deposit financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City’s investment policy does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the provision for deposits stated in Note 2A. Of the City’s investments, \$3,554,529 of securities are held by counterparty’s trust department, the trustee for the bonds, not in the name of the City as of June 30, 2006.

3. CONTRACT AND LOANS RECEIVABLE

Contract and loans receivable consisted of the following at June 30, 2006:

	Balance July 1, 2005	Addition	Deletion	Balance June 30, 2006
Sewer Capacity Right	\$ 79,862	\$ -	\$ -	\$ 79,862
Deferred Housing Loan	308,181	30,501	(34,097)	304,585
Loan to Developers	274,048	-	-	274,048
First Time Homebuyers	338,834	76,100	(15,985)	398,949
Housing Loan/Grants	75,971	17,432	(31,526)	61,877
Total	\$ 1,076,896	\$ 124,033	\$ (81,608)	\$ 1,119,321

4. INTERFUND TRANSACTIONS

A. Governmental-Wide Financial Statements

At June 30, 2006, the City had the following internal receivable and payable:

	Internal Receivable
	Business-Type
	Activities
Internal Payable	\$ 1,209,088
Governmental Activities	

CITY OF LOMA LINDA
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

4. INTERFUND TRANSACTIONS, Continued

B. Fund Financial Statements

Due To and Due From Other Funds - At June 30, 2006, the City had the following due to/from other funds:

	Due From Other Funds				
	General	Redevelopment Agency Debt Service	Special Project Construction	Redevelopment Agency Capital Projects	Total
Due To Other Funds					
Redevelopment Agency Debt Service	\$ -	\$ -	\$ -	\$ 59,021	\$ 59,021
Redevelopment Agency Capital Projects	-	302,525	-	388,081	690,606
Nonmajor Governmental	126,497	-	185,857	32,510	344,864
Total	<u>\$ 126,497</u>	<u>\$ 302,525</u>	<u>\$ 185,857</u>	<u>\$ 479,612</u>	<u>\$ 1,094,491</u>

The due to the General Fund of \$126,497 from the various nonmajor funds was to assist with payment of the debt service.

The due to the Special Project Construction Fund of \$185,857 from the various nonmajor funds was a result of temporary deficit cash balances in those funds.

The due to and due from within the Redevelopment Agency was made to cover negative cash, project costs, and administrative costs.

Advances To/From Other Funds - At June 30, 2006, the City had the following advances to/from other funds:

	Advances to Other Funds					
	Governmental Funds			Enterprise Funds		Total
	Special Project Construction	Redevelopment Agency Capital Projects	Nonmajor Governmental Funds	Water Acquisition	Water Enterprise	
Advances from Other Funds						
Governmental Funds:						
General Fund	\$ -	\$ -	\$ -	\$ -	\$ 152,500	\$ 152,500
Redevelopment Agency Debt Service	6,736,161	-	-	847,888	-	7,584,049
Redevelopment Agency Capital Projects	5,014,589	-	195,390	6,000,800	-	11,210,779
Enterprise Fund:						
Loma Linda Connected Communities	-	5,792,100	-	-	-	5,792,100
Total	<u>\$ 11,750,750</u>	<u>\$ 5,792,100</u>	<u>\$ 195,390</u>	<u>\$ 6,848,688</u>	<u>\$ 152,500</u>	<u>\$ 24,739,428</u>

The majority of advances in the Special Projects, Water Acquisition and Nonmajor Governmental funds represents loans made to the Redevelopment Agency to fund projects and include interest thereon. These are offset by advances payable in the Redevelopment Agency Capital Projects and Debt Service Funds.

CITY OF LOMA LINDA
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

4. INTERFUND TRANSACTIONS, Continued

B. Fund Financial Statements, Continued

Transfers - At June 30, 2006, the City had the following transfers in/out:

	Transfers In				
	Governmental Funds			Enterprise Fund	Total
	General	Redevelopment	Nonmajor	Water	
	Fund	Agency Capital Projects	Governmental Funds	Enterprise	
Transfers Out					
Governmental Funds:					
General Fund	\$ -	\$ -	\$ 981,860	\$ -	\$ 981,860
Special Project Construction	462,960	-	-	-	462,960
Redevelopment Agency Capital Projects	-	70,000	-	-	70,000
Nonmajor Governmental Funds	943,099	-	-	-	943,099
Enterprise Fund:					
Water Acquisition	-	-	-	388,297	388,297
Total	<u>\$ 1,406,059</u>	<u>\$ 70,000</u>	<u>\$ 981,860</u>	<u>\$ 388,297</u>	<u>\$ 2,846,216</u>

During the year certain funds made payments in the amount of \$943,099 to the General Fund for funding parking expenses and to reimburse grant expenditures incurred. Transfers from the Special Project Construction Fund to the General Fund were used to make the lease building payment.

Transfers within the Redevelopment Agency Funds were used to move funds for operating expenses.

Transfers into the various nonmajor funds for the Public Financing Authority's debt service payments in the amount of \$979,840 and the City's matching portion of FEMA grant in the amount of \$2,020.

Transfers to the Water Enterprise Fund were for fees collected with regard to the 8MG Reservoir.

CITY OF LOMA LINDA
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

5. CAPITAL ASSETS

The following is a summary of capital assets for the governmental activities:

	Governmental Activities			
	Balance July 1, 2005	Increases	Decreases	Balance June 30, 2006
Capital assets, not being depreciated:				
Land	\$ 5,019,188	\$ 505,716	\$ -	\$ 5,524,904
Construction in progress	823,323	2,129,898	(67,994)	2,885,227
Total capital assets, not being depreciated	5,842,511	2,635,614	(67,994)	8,410,131
Capital assets, being depreciated:				
Structures and improvements	12,120,811	136,189	-	12,257,000
Machinery and equipment	5,648,804	280,686	(86,273)	5,843,217
Infrastructure	1,913,339	1,491,043	-	3,404,382
Total capital assets, being depreciated	19,682,954	1,907,918	(86,273)	21,504,599
Less accumulated depreciation for:				
Structures and improvements	(5,053,930)	(503,493)	-	(5,557,423)
Machinery and equipment	(4,426,715)	(343,139)	86,273	(4,683,581)
Infrastructure	(43,317)	(69,155)	-	(112,472)
Total accumulated depreciation	(9,523,962)	(915,787)	86,273	(10,353,476)
Total capital assets, being depreciated, net	10,158,992	992,131	-	11,151,123
Governmental activities capital assets, net	\$ 16,001,503	\$ 3,627,745	\$ (67,994)	\$ 19,561,254

Depreciation expense was charged to functions/programs of governmental activities for the fiscal year ended June 30, 2006 as follows:

General government	\$ 318,889
Public safety	121,289
Community development	141,073
Public works	334,536
Total depreciation expense	\$ 915,787

CITY OF LOMA LINDA
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

5. CAPITAL ASSETS, Continued

The following is a summary of capital assets for the business-type activities:

	Business-Type Activities		
	Balance July 1, 2005	Increases	Balance June 30, 2006
Capital assets, not being depreciated:			
Land	\$ 1,389,696	\$ -	\$ 1,389,696
Construction in progress	1,068,697	1,764,412	1,842,978
Total capital assets, not being depreciated	2,458,393	1,764,412	3,232,674
Capital assets, being depreciated:			
Structures and improvements	25,112,661	227,898	25,340,559
Machinery and equipment	2,903,487	761,926	3,607,389
Infrastructure	2,679,967	2,740,297	5,420,264
Total capital assets, being depreciated	30,696,115	3,730,121	34,368,212
Less accumulated depreciation for:			
Structures and improvements	(12,096,637)	(714,385)	(12,811,022)
Machinery and equipment	(1,481,096)	(417,272)	(1,840,344)
Infrastructure	(99,221)	(92,195)	(191,416)
Total accumulated depreciation	(13,676,954)	(1,223,852)	(14,842,782)
Total capital assets, being depreciated, net	17,019,161	2,506,269	19,525,430
Business-type activities capital assets, net	\$ 19,477,554	\$ 4,270,681	\$ 22,758,104

Depreciation expense for business-type activities for the fiscal year ended June 30, 2006 was charged as follows:

Water Enterprise	\$ 803,710
Sewer Capital	173,033
Loma Linda Connected Communities	247,109
Total depreciation expense	\$ 1,223,852

CITY OF LOMA LINDA
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

6. LONG-TERM DEBT

Following is a summary of long-term debt transactions for the fiscal year ended June 30, 2006:

	Balance July 1, 2005	Additions	Deletions	Balance June 30, 2006	Due within One Year	Due in more than One Year
Governmental Activities:						
Tax Allocation Bonds:						
2003 Tax Allocation Refunding Bonds	\$ 12,230,000	\$ -	\$ (460,000)	\$ 11,770,000	\$ 475,000	\$ 11,295,000
Subordinate 2005 A Tax Allocation Bonds	-	15,100,000	-	15,100,000	380,000	14,720,000
Subordinate 2005 B TaxableTax Allocation Bonds	-	10,435,000	-	10,435,000	545,000	9,890,000
2002 Lease Revenue Refunding Bonds	8,880,000	-	(695,000)	8,185,000	710,000	7,475,000
Capital Lease	287,177	-	(111,003)	176,174	116,134	60,040
Compensated absences	422,876	373,994	(330,034)	466,836	170,297	296,539
Unamortized loss of defeasance	(596,162)	-	48,103	(548,059)	-	(548,059)
Unamortized bond premium	387,267	313,969	(24,063)	677,173	-	677,173
Unamortized bond discount	-	(79,798)	2,327	(77,471)	-	(77,471)
Total governmental activities	\$ 21,611,158	\$ 26,143,165	\$ (1,569,670)	\$ 46,184,653	\$ 2,396,431	\$ 43,788,222
Business-Type Activities:						
Revenue Bonds:						
1978 Water Bonds (General Obligation)	\$ 20,000	\$ -	\$ -	\$ 20,000	\$ 20,000	\$ -
1995 Variable Rate Water Revenue Refunding Bonds	8,555,000	-	(235,000)	8,320,000	245,000	8,075,000
Capital Lease	188,635	-	(72,898)	115,737	76,268	39,469
Compensated absences	111,866	107,579	(92,980)	126,465	46,702	79,763
Total business-type activities	\$ 8,875,501	\$ 107,579	\$ (400,878)	\$ 8,582,202	\$ 387,970	\$ 8,194,232

CITY OF LOMA LINDA
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

6. LONG-TERM DEBT, Continued

A. Governmental Activities Long-Term Debt

2003 Tax Allocation Refunding Bonds – Original Issue \$12,610,000

On April 28, 2003, the Agency issued tax allocation bonds in the amount of \$12,610,000. The purpose of the bonds was to refund the Agency's 1993 Tax Allocation Bonds and 1994 Tax Allocation Refunding Bonds and to finance the Agency's redevelopment project.

The bonds accrue interest at rates between 2.00% and 5.25%. Interest on the bonds is payable semiannually on each January 1 and July 1, commencing January 1, 2004. Principal is payable in annual installments ranging from \$340,000 to \$600,000, commencing July 1, 2004 through July 1, 2030. The bonds are subject to optional and mandatory redemption prior to maturity.

The bonds are secured by a first and prior lien on tax increment revenues excluding any portion of revenues that are required to be deposited to the Agency's Low and Moderate Income Housing Funds. The amount of bonds outstanding at June 30, 2006 totaled \$11,770,000.

The annual debt service requirements on these bonds are as follows:

Year Ending June 30,	Principal	Interest	Total
2007	\$ 475,000	\$ 499,356	\$ 974,356
2008	480,000	488,013	968,013
2009	490,000	474,663	964,663
2010	500,000	459,813	959,813
2011	520,000	444,513	964,513
2012 - 2016	2,845,000	1,757,869	4,602,869
2017 - 2021	1,895,000	1,290,888	3,185,888
2022 - 2026	2,280,000	913,631	3,193,631
2027 - 2031	2,285,000	304,809	2,589,809
Total	\$ 11,770,000	\$ 6,633,555	\$ 18,403,555

CITY OF LOMA LINDA
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

6. LONG-TERM DEBT, Continued

A. Governmental Activities Long-Term Debt, Continued

Subordinate 2005A Tax Allocation Bonds – Original Issue \$15,100,000

On November 30, 2005, the Agency issued subordinate 2005A tax allocation bonds in the amount of \$15,100,000. The purpose of the bonds was to finance the Agency's redevelopment project.

The bonds mature from July 1, 2006 to July 1, 2030 in varying amounts. The bonds accrue interest at rates between 3.00% and 5.25%. Interest on the bonds is payable semiannually on each January 1 and July 1, commencing July 1, 2006. Principal is payable in annual installments ranging from \$70,000 to \$1,980,000, commencing July 1, 2006. The bonds are subject to optional and mandatory redemption prior to maturity.

The bonds are secured by tax revenues, which consist of a portion of the ad valorem taxes levied upon all taxable property within the Loma Linda Redevelopment Agency Project Area, and allocated to the Agency and available after payment due to pay debt service on the Agency's previously issued bonds. The amount of bonds outstanding at June 30, 2006 totaled \$15,100,000.

The annual debt service requirements on these bonds are as follows:

Year Ending June 30,	Principal	Interest	Total
2007	\$ 380,000	\$ 758,293	\$ 1,138,293
2008	70,000	717,092	787,092
2009	75,000	714,917	789,917
2010	75,000	712,574	787,574
2011	75,000	710,137	785,137
2012 - 2016	465,000	3,506,582	3,971,582
2017 - 2021	2,165,000	3,235,606	5,400,606
2022 - 2026	2,835,000	2,695,174	5,530,174
2027 - 2031	8,960,000	1,224,045	10,184,045
Total	\$ 15,100,000	\$ 14,274,420	\$ 29,374,420

CITY OF LOMA LINDA
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

6. LONG-TERM DEBT, Continued

A. Governmental Activities Long-Term Debt, Continued

Subordinate 2005B Taxable Tax Allocation Bonds – Original Issue \$10,435,000

On November 30, 2005, the Agency issued subordinate 2005B taxable tax allocation bonds in the amount of \$10,435,000. The purpose of the bonds was to finance the Agency's redevelopment project.

The bonds mature from July 1, 2006 to July 1, 2025 in varying amounts. The bonds accrue interest at rates between 5.00% and 5.65%. Interest on the bonds is payable semiannually on each January 1 and July 1, commencing July 1, 2006. Principal is payable in annual installments ranging from \$315,000 to \$810,000, commencing July 1, 2006. The bonds are subject to optional and mandatory redemption prior to maturity.

The bonds are secured by tax revenues, which consist of a portion of the ad valorem taxes levied upon all taxable property within the Loma Linda Redevelopment Agency Project Area, and allocated to the Agency and available after payment due to pay debt service on the Agency's previously issued bonds. The amount of bonds outstanding at June 30, 2006 totaled \$10,435,000.

The annual debt service requirements on these bonds are as follows:

Year Ending June 30,	Principal	Interest	Total
2007	\$ 545,000	\$ 579,009	\$ 1,124,009
2008	315,000	530,785	845,785
2009	330,000	514,660	844,660
2010	350,000	497,660	847,660
2011	365,000	479,785	844,785
2012 - 2016	2,130,000	2,084,764	4,214,764
2017 - 2021	2,765,000	1,426,904	4,191,904
2022 - 2026	3,635,000	536,044	4,171,044
Total	\$ 10,435,000	\$ 6,649,611	\$ 17,084,611

CITY OF LOMA LINDA
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

6. LONG-TERM DEBT, Continued

A. Governmental Activities Long-Term Debt, Continued

2002 Lease Revenue Refunding Bonds – Original Issue \$10,840,000

On October 1, 2002, the Authority issued 2002 lease revenue refunding bonds in the amount of \$10,840,000. The purpose of the bonds was to refund all the outstanding 1994 Certificates of Participation in the amount of \$10,255,000.

The bonds mature from January 1, 2003 to January 1, 2016 in varying amounts. The bonds accrue interest at rates between 3.00% and 4.10%. Interest on the bonds is payable semiannually on each January 1 and July 1, commencing January 1, 2003. Principal is payable in annual installments ranging from \$630,000 to \$955,000, commencing January 1, 2003. The bonds are subject to optional and special mandatory redemption prior to maturity.

The bonds are secured by lease revenues between the Authority and the City. The amount of bonds outstanding at June 30, 2006 totaled \$8,185,000.

The annual debt service requirements on these bonds are as follows:

Year Ending June 30,	Principal	Interest	Total
2007	\$ 710,000	\$ 286,613	\$ 996,613
2008	725,000	269,573	994,573
2009	745,000	249,998	994,998
2010	770,000	228,393	998,393
2011	795,000	201,443	996,443
2012 - 2016	4,440,000	546,118	4,986,118
Total	\$ 8,185,000	\$ 1,782,138	\$ 9,967,138

Capital Lease

On July 23, 2002, the City entered into a master lease agreement with CaLease Public Funding to lease various equipment in the amount of \$543,700. The related assets have been capitalized in the government-wide financial statements at the initial present value of the lease payments. Depreciation of the leased assets are included as part of depreciation expense. Payments are due February and August of each year commencing February 14, 2003. Payments include interest at 4.57%. The principal balance of the lease at June 30, 2006 was \$176,174.

The annual debt service requirements outstanding at June 30, 2006 were as follows:

Year Ending June 30,	Principal	Interest	Total
2007	\$ 116,133	\$ 6,740	\$ 122,873
2008	60,041	1,372	61,413
Total	\$ 176,174	\$ 8,112	\$ 184,286

Compensated absences

The City's liability for vested and unpaid compensated absences (accrued vacation and sick pay) in the governmental activities has been accrued and amounted to \$466,836.

CITY OF LOMA LINDA
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

6. LONG-TERM DEBT, Continued

B. Business-Type Activities Long-Term Debt

1978 Water Bonds (General Obligation) – Original Issue \$1,000,000

On February 14, 1978, the City issued \$1,000,000 of 1978 Water Bonds (General Obligation). The purpose of the bonds was to finance water system improvement.

The bonds matured from April 1, 1979 to April 1, 2003 in varying amounts. The bonds accrued interest at rates between 4.80% and 6.75%. Interest on the bonds was payable semiannually on each April 1 and October 1. Principal was payable in annual installments commencing April 1, 1979. The revenues of the Water Fund were being used to pay the annual debt service requirements of the bonds. The bonds matured in fiscal year 2003; however, at June 30, 2006, not all bonds have been presented for payment. The amount outstanding as of June 30, 2006 was \$20,000.

1995 Variable Rate Water Revenue Refunding Bonds – Original Issue \$10,000,000

On December 1, 1985, the City issued 1995 variable rate water revenue refunding bonds in the amount of \$10,000,000. The purpose of the bonds was to refund the City's outstanding water revenue refunding bonds of 1993 and to provide funds to finance an expansion of the storage capacity of the City's water enterprise.

The bonds mature from June 1, 1998 to June 1, 2025 in varying amounts. The bonds have a variable rate of interest not to exceed 12.00% until the optional fixed rate conversion date at which time the rate will be fixed. Interest is payable monthly until the fixed rate conversion date at which time the interest is payable semi-annually each June 1 and December 1. Principal is payable in annual installments ranging from \$145,000 to \$705,000, commencing January 1, 1998. The bonds are subject to redemption, optional tender and mandatory tender prior to maturity.

The bonds are secured by the net revenues derived by the City from the operations of the water enterprise. In the official statement net revenues are defined as gross revenues less maintenance and operation costs. The net revenues shall be at least 1.25 times the annual debt service on the bonds.

Debt Service Coverage:		
Operating revenue	\$ 3,591,906	
Interest income	94,910	
Capital contribution	500,325	
Gross revenues		<u>4,187,141</u>
Operating expenses	4,604,388	
Less depreciation	(803,710)	
		<u>3,800,678</u>
Excess revenues		<u>\$ 386,463</u>
Debt Service (Maximum Annual):		
1995 Water Refunding Bonds (Estimated)	\$ 733,200	
1978 Water Bonds	37,481	
		<u>\$ 770,681</u>
Coverage ratio		<u>50.15%</u>

CITY OF LOMA LINDA
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

6. LONG-TERM DEBT, Continued

B. Business-Type Activities Long-Term Debt, Continued

1995 Variable Rate Water Revenue Refunding Bonds – Original Issue \$10,000,000, Continued

The amount of bonds outstanding at June 30, 2006 totaled \$8,320,000. The annual debt service requirements on these bonds are as follows:

Year Ending June 30,	Principal	Interest	Total
2007	\$ 245,000	\$ 332,800	\$ 577,800
2008	260,000	323,000	583,000
2009	275,000	312,600	587,600
2010	295,000	301,600	596,600
2011	310,000	289,800	599,800
2012 - 2016	1,860,000	1,246,800	3,106,800
2017 - 2021	2,490,000	827,600	3,317,600
2022 - 2024	2,585,000	266,200	2,851,200
Total	\$ 8,320,000	\$ 3,900,400	\$ 12,220,400

Capital Lease

On July 23, 2002, the City entered into a master lease agreement with CaLease Public Funding to lease various equipment in the amount of \$357,100. Payments are due February and August of each year commencing February 14, 2003. Payments include interest at 4.57%. The principal balance of the lease at June 30, 2006 was \$115,737.

The annual debt service requirements outstanding at June 30, 2006 were as follows:

Year Ending June 30,	Principal	Interest	Total
2007	\$ 76,268	\$ 4,427	\$ 80,695
2008	39,469	901	40,370
Total	\$ 115,737	\$ 5,328	\$ 121,065

Compensated absences

In proprietary funds, the liability for vested and unpaid compensated absences (accrued vacation and sick pay) is reported in the fund as the benefits are vested and earned. The compensated absences accrued in the proprietary funds amount to \$126,465 at June 30, 2006.

CITY OF LOMA LINDA
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

7. NON-CITY OBLIGATIONS

The following bond issues are not reflected as City long-term debt because these debts are solely payable from and secured by specific revenue sources described in the official statements of the respective issues. Neither the faith and credit nor the taxing power of the City, the Agency, the State of California or any political subdivision thereof, is pledged for payment of these bonds. The City is acting only as an agent.

	Original Amount	Amount Outstanding June 30, 2006
Loma Linda University Medical Center Project		
Series 1999A	\$ 109,335,000	\$ 71,830,000
Series 2005A	158,345,000	158,345,000
Total	\$ 267,680,000	\$ 230,175,000
Multifamily Housing Refunding Revenue Bonds (Loma Linda Springs Apartment)		
Series 2001	\$ 19,430,000	\$ 19,161,765

8. EMPLOYEE RETIREMENT PLAN

A. Plan Description

The City of Loma Linda contributes to the California Public Employees Retirement System (PERS). PERS is an agent multiple-employer defined benefit pension plan that acts as a common investment and administrative agent for participating public entities within the State of California. PERS provides retirement and disability benefits, annual cost-of living adjustments, and death benefits to plan members and beneficiaries. Employees vest after five years of service and are eligible to receive benefits at age 55 for safety and miscellaneous (non-safety) employees. State statutes and City ordinance establish benefit provisions, which are reflected in a contract between the City and PERS. Copies of PERS' annual financial report may be obtained from their Executive Office, 400 P Street, Sacramento, California 95814.

B. Funding Policy

Miscellaneous participants are required to contribute 7% of annual covered salary and safety participants are required to contribute 9% of their annual covered salary. The City makes the contributions required of City employees on their behalf and for their account, which amounted to \$346,867 for the fiscal year ended June 30, 2006. The City is required to make actuarially determined employer contributions necessary to fund the benefits for its members. For the fiscal year ended June 30, 2006, the City contribution was 8.490% for miscellaneous, 13.278% for safety employees. The contribution requirements of the plan members are established by State statute and the employer contribution rate is established annually and may be amended by PERS.

CITY OF LOMA LINDA
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

8. EMPLOYEE RETIREMENT PLAN, Continued

C. Annual Pension Cost

For the fiscal year ended June 30, 2006 the City's annual pension cost of \$459,009 for PERS was equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 2003, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses), (b) projected salary increases ranging from 3.25% to 14.45% for miscellaneous employees and from 3.25% to 13.15% for safety employees depending on age, service, and type of employment, and (c) 2% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 3.00%. The actuarial value of PERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a fifteen-year period. PERS unfunded actuarial accrued liability (or surplus) is being amortized as a level percentage of projected payroll on a closed basis. The average remaining amortization period at June 30, 2003, was 17 years for miscellaneous employees and 16 years for safety employees for prior and current service unfunded liability.

Three-Year Trend Information of PERS			
Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2004	\$ -	100%	\$ -
6/30/2005	513,000	100%	-
6/30/2006	459,009	100%	-

9. POST-RETIREMENT HEALTH INSURANCE

The City provides certain health insurance benefits, in accordance with memorandums of understanding to retired employees. Employees become eligible for the benefits if they reach normal retirement age while working for the City and having 5 years of service under the PERS system, including employment with another employer. For fiscal year 2005-2006, the City contributed \$40 plus an administrative fee per month for each employee. For employees retired with more than 10 years of City service, the City contributed \$75 per month toward the cost of health insurance provided under the CalPERS insurance program. The City recognized the cost of providing those benefits by expensing \$7,787 which was the portion of the premium paid by the City for the fiscal year. The cost of providing those benefits is for 11 retirees.

10. LIABILITY, PROPERTY AND WORKERS' COMPENSATION PROTECTION

A. Description of Self-Insurance Pool Pursuant to Joint Powers Agreement

The City is a member of the California Joint Powers Insurance Authority (Authority). The Authority is composed of 109 California public entities and is organized under a joint powers agreement pursuant to California government Code §6500 et seq. The purpose of the Authority is to arrange and administer programs for the pooling of self-insured losses, to purchase excess insurance or reinsurance, and to arrange for group-purchased insurance for property and other coverages. The Authority's pool began covering claims of its members in 1978. Each member government has an elected official as its representative on the Board of Directors. The Board operates through a nine-member Executive committee.

CITY OF LOMA LINDA

Notes to Basic Financial Statements, Continued

For the year ended June 30, 2006

10. LIABILITY, PROPERTY AND WORKERS' COMPENSATION PROTECTION, Continued

B. Self-Insurance Programs of the Authority

General Liability – Each member government pays a primary deposit to cover estimated losses for a fiscal year (claims year). Six months after the close of a fiscal year outstanding claims are valued. A retrospective deposit computation is then made for each open claims year. Claims are pooled separately between police and non-police. Loss development reserves are allocated by pool and by loss layer. Costs are spread to members as follows: the first \$30,000 of each occurrence is charged directly to the member; costs from \$30,000 to \$750,000 and loss development reserves associated with losses up to \$750,000 are pooled based on a member's share of costs under \$30,000. Losses from \$750,000 to \$10,000,000 and loss development reserve associated with losses \$750,000 to \$10,000,000 are pooled based on payroll. Costs of covered claims above \$10,000,000 are currently paid by excess insurance. The protection for each member is \$50,000,000 per occurrence and \$50,000,000 annual aggregate. Administrative expenses are paid from the Authority's investment earnings.

Workers' Compensation – The City also participates in the workers' compensation pool administered by the Authority. Claims are pooled separately between public safety and non-public safety. Loss development reserves are allocated by pool and by loss layer. Members retain the first \$50,000 of each claim. Losses from \$50,000 to \$100,000 and the loss development reserve associated with losses up to \$100,000 are pooled based on the member's share of losses under \$50,000. Losses from \$100,000 to \$2,000,000 and loss development reserves associated with losses from \$100,000 to \$2,000,000 are pooled based on payroll. Costs from \$2,000,000 and \$150,000,000 are transferred to an excess insurance policy. Costs in excess of \$150,000,000 are pooled among the Members based on payroll. Administrative expenses are paid from the Authority's investment earnings.

C. Purchased Insurance

Environmental Insurance – The City participates in the pollution legal liability and remediation legal liability insurance that is available through the Authority. The policy covers sudden and gradual pollution of scheduled property, streets and storm drains owned by the City. Coverage is on a claims-made basis. There is a \$50,000 deductible. The Authority has a limit of \$50,000,000 for the three-year period from July 1, 2005 through July 1, 2008. Each member of the Authority has a \$10,000,000 limit during the three-year term of the policy.

Property Insurance – The City participates in the all-risk property protection program of the Authority. This insurance protection is underwritten by several insurance companies. The City property is currently insured according to a schedule of covered property submitted by the City to the Authority. Total all-risk property insurance coverage is \$28,507,635. There is a \$5,000 per loss deductible. Premiums for the coverage are paid annually and are not subject to retroactive adjustments.

Fidelity Bonds – The City purchases blanket fidelity bond coverage in the amount of \$1,000,000 with \$2,500 deductible. The fidelity coverage is provided through the Authority. Premiums are paid annually and are not subject to retroactive adjustments.

CITY OF LOMA LINDA

Notes to Basic Financial Statements, Continued

For the year ended June 30, 2006

10. LIABILITY, PROPERTY AND WORKERS' COMPENSATION PROTECTION, Continued

D. Adequacy of Protection

During the past three fiscal (claims) years, none of the above programs of protection have had settlements or judgments that exceeded pool or insured coverage. There have been no significant reductions in pooled or insured liability coverage from coverage in the prior year. Consequently, the City does not recognize any claims and judgment liability.

11. WATER DEFERRED INCOME

The accompanying financial statements do not reflect any deferred income, which may be applicable under an agreement of sale and purchase dated November 2, 1964, between Loma Linda University and former County Services Area No. 2, which has been incorporated into the City of Loma Linda. Under the agreement, the University Water Distribution System may serve water to land owned by the University, Southeastern California Association of Seventh-Day Adventists, Loma Linda University Medical Center, Adventist Health Systems, the City or any other subsidiaries thereof, Loma Linda University Medical Group, Inc. or any subsidiaries thereof, and Adventist Medical Center. If any of these entities connect to the City water system, they will pay all fees applicable at the time of connection less 7.3% of such fees, charges and costs. However, if any land connected to the City system which, at the time of such connection, was entitled to the 7.3% deduction, but changes to a use not covered by any of the exempt entities or uses, it shall pay that amount which was deducted prior to receiving water service from the City.

12. JOINT VENTURES

A. San Bernardino International Airport Authority

The City is a member of the San Bernardino International Airport Authority (SBIAA), a joint powers authority of the County of San Bernardino and the Cities of Colton, Highland, Loma Linda and San Bernardino. The Authority was formed May 12, 1992 for the purpose of acquiring, operating, maintaining, repairing and administering the aviation related portions of Norton Air Base as a public airport.

The governing board consists of two elected officials from the City of San Bernardino and one elected official from each other County of San Bernardino and the Cities of Colton, Highland and Loma Linda. Each member has one vote.

A copy of the financial statements of the San Bernardino International Airport Authority can be obtained by contacting the authority directly at 294 South Leland Norton Way, Suite 1, San Bernardino, California 92408, (909) 388-1144.

CITY OF LOMA LINDA
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

12. JOINT VENTURES, Continued

B. Inland Valley Development Agency

The City is a member of the Inland Valley Development Agency (IVDA), a joint powers authority of four cities and the County of San Bernardino. The member agencies have the following number of board members:

City of San Bernardino	3
County of San Bernardino	2
City of Colton	2
City of Loma Linda	2

Each board member has one vote.

The IVDA was formed for the purpose of acquiring, owning, maintaining, leasing and operating the Norton Air Force Base property, and for the purpose of reusing and redeveloping the Norton Air Force Base, the adjacent property and the other properties in proximity thereto. As of June 30, 2006, the City does not hold an investment in the authority.

A copy of the financial statements of the IVDA can be obtained by contacting the IVDA directly at 298 South Leland Norton Way, San Bernardino, California, 92408, attention Linda Sommers, (909) 382-4100.

C. San Bernardino/Colton/Loma Linda Joint Powers Financing Authority

The Agency is a member of the San Bernardino/Colton/Loma Linda Joint Powers Financing Authority (Authority), a joint powers authority of the Redevelopment Agencies of the Cities of San Bernardino, Colton, Loma Linda and the County of San Bernardino. The Authority was formed September 30, 1991 for the purpose of issuing debt. Tax Allocation Notes for \$7,500,000 were issued November 1, 1991 and the proceeds were used to make a loan to the Inland Valley Development Agency (IVDA), of which the three cities and the County of San Bernardino are members. The loan was used to pay certain operating and redevelopment costs of the Inland Valley Redevelopment Project Area. Since 1991, the original obligation has been refunded twice and in 1997 expanded to incorporate monies for school district purposes. The total 1997 refunding was \$44,485,000 of which 63% (\$28,025,550) is applicable to IVDA.

These obligations are secured by loan repayments made by the IVDA to the Authority. The obligation of the IVDA under the loan agreement will be payable from the IVDA's tax revenues from the project area. In the event that such tax revenues are unavailable, the obligations are further secured by commitments from the member agencies in the following percentages:

Redevelopment Agency of the City of San Bernardino	92.08%
Redevelopment Agency of the City of Colton	3.06%
Redevelopment Agency of the City of Loma Linda	4.86%

CITY OF LOMA LINDA
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

12. JOINT VENTURES, Continued

C. San Bernardino/Colton/Loma Linda Joint Powers Financing Authority, Continued

The governing board of the Authority is composed of the Executive Directors of the City of Colton and the City of Loma Linda Redevelopment Agencies, the Agency Administrator of the Economic Development Agency of the City of San Bernardino and representatives of the County of San Bernardino. Since the Agency is not directly liable for repayment of these bonds, they have not been reflected in the accompanying financial statements.

On October 13, 1999, the IVDA's Board adopted a motion stating that the use of its cash balance is necessary to pay for scheduled debt service obligations and that suspension of further disbursements of 20% set-aside funds for affordable housing is necessary until further notice. However, during the current fiscal year, a receivable has been set-up reflecting the current Agency's portion of tax increment set-aside revenues.

13. FUND BALANCE

At June 30, 2006, the following funds had deficit fund balances:

<u>Fund</u>	<u>Fund Type</u>	<u>Deficit</u>
Special Revenue Fund:		
Community Development	Nonmajor Governmental Fund	\$ 32,398
Grant Fund	Nonmajor Governmental Fund	46,753
Traffic Congestion Relief Fund	Nonmajor Governmental Fund	8,633
Debt Service Fund:		
Redevelopment Agency	Major Governmental Fund	4,627,784
Capital Projects Fund:		
Federal/State Construction	Nonmajor Governmental Fund	11,479
Enterprise Fund:		
Loma Linda Connected Communities	Major Enterprise Fund	913,837

CITY OF LOMA LINDA

Notes to Basic Financial Statements, Continued

For the year ended June 30, 2006

13. FUND BALANCE, Continued

Community Development Special Revenue Fund – The Community Development Special Revenue Fund had an accumulated deficit of \$32,398, which resulted from moneys being spent before receiving the grant reimbursement.

Grant Special Revenue Fund – The Grant Special Revenue Fund had an accumulated deficit of \$46,753, which resulted from moneys being spent before grant funds were received.

Traffic Congestion Relief Special Revenue Fund – The Traffic Congestion Relief Special Revenue Fund had an accumulated deficit of \$8,633, which resulted from moneys being spent before grant funds were received.

Redevelopment Agency Debt Service Fund – The Redevelopment Agency Debt Service Fund had an accumulated deficit of \$4,627,784, which resulted from the accumulation of advances from the City.

Federal/State Construction Capital Projects Fund – The Federal/State Construction Capital Projects Fund had an accumulated deficit of \$11,479, which resulted from moneys being spent before grant funds were received.

Loma Linda Connected Communities Enterprise Fund – The Loma Linda Connected Communities Enterprise Fund had an accumulated deficit of \$913,837, which resulted from continuing expenses for start-up costs being funded through loans.

Excess of expenditures over appropriations occurred in individual funds during the fiscal year 2005-2006 as follows:

Fund	Expenditures	Appropriations	Excess Expenditures over Appropriations
Special Revenue Funds:			
Gas Tax	\$ 400,513	\$ 399,000	\$ 1,513
Community Development	346,617	274,500	72,117
Capital Projects Fund:			
Special Projects Construction	505,169	504,400	769

14. COMMITMENTS AND CONTINGENCIES

A. Lawsuits

The City is presently involved in certain matters of litigation that have arisen in the normal course of conducting City business. City management believes, based upon consultation with the City Attorney, that these cases, in the aggregate, are not expected to result in a material adverse financial impact on the City. Additionally, City management believes that the City's insurance programs are sufficient to cover any potential losses should an unfavorable outcome materialize.

CITY OF LOMA LINDA
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

14. COMMITMENTS AND CONTINGENCIES, Continued

B. Federal and State Grant Programs

The City participates in Federal and State grant programs. These programs are audited by the City's independent accountants in accordance with the provisions of the Federal Single Audit Act Amendments of 1996 and applicable State requirements. No cost disallowance is expected as a result of these audits; however, these programs are subject to further examination by the grantors. Expenditures which may be disallowed, if any, by the granting agencies cannot be determined at this time. The City expects such amounts, if any, to be immaterial.

C. Commitments

The following is a list of commitments at June 30, 2006:

Equipment for LLCCP infrastructure that was ordered but did not arrive before 6/30/06	\$	322,361
Retention payable for the re-roofing of the Civic buildings and LLCCP projects		173,434
Equipment and contractual services for the COPS grant		85,000
Miscellaneous unbilled contractual agreements and small equipment		193,826
Professional services in connection with an EPA grant		13,926
75' Aerial ladder fire truck		370,478
Installation of solar panel parking covers		1,992,324
Professional services for a Public Works project		63,466
Small Type 1 pumper truck		216,067
Total	\$	3,430,882

As of June 30, 2006, in the opinion of City management, there were no additional outstanding matters that would have a significant effect on the financial position of the funds of the City.

15. PRIOR PERIOD ADJUSTMENTS

Government-Wide Financial Statements

The City recorded the following adjustments to the City's Government-Wide Financial Statements because of various adjustments in specific funds:

	Net Assets, as Previously Reported	Prior Period Adjustments		Net Assets, as Restated
		Due from Other Governments	Deferred Revenue	
Governmental Activities:				
Net assets	\$ 20,682,605	\$ (142,800)	\$ 6,430	\$ 20,546,235

CITY OF LOMA LINDA
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

15. PRIOR PERIOD ADJUSTMENT, Continued

Fund Financial Statements

Community Development Special Revenue Fund - The City determined that grant revenue of \$142,800 was received in the fiscal year ended June 30, 2005. Therefore, the amount of due from other governments was overstated by \$142,800 at June 30, 2005.

EPA Grant Special Revenue Fund - The City determined that deferred revenue of \$6,430 was recorded incorrectly in the prior year.

	Fund Balance, as Previously Reported	Prior Period Adjustments		Fund Balance, as Restated
		Due from Other Governments	Deferred Revenue	
Community Development	\$ 138,942	\$ (142,800)	\$ -	\$ (3,858)
EPA Grant	62,144	-	6,430	68,574
Total	\$ 201,086	\$ (142,800)	\$ 6,430	\$ 64,716

Water Acquisition Enterprise Fund and Water Enterprise Fund - Due to other funds for contribution of assets from the Water Acquisition fund to the Water Enterprise fund of \$4,878,341 was reclassified as a contribution.

	Net Assets, as Previously Reported	Prior Period Adjustments		Net Assets, as Restated
		Due from Other Funds	Due to Other Funds	
Water Acquisition	\$ 14,223,305	\$ (4,878,341)	\$ -	\$ 9,344,964
Water Enterprise	4,731,125	-	4,878,341	9,609,466
Total	\$ 18,954,430	\$ (4,878,341)	\$ 4,878,341	\$ 18,954,430

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Required Supplementary Information



REQUIRED SUPPLEMENTARY INFORMATION

CITY OF LOMA LINDA
Required Supplementary Information
For the year ended June 30, 2006

1. BUDGET AND BUDGETARY ACCOUNTING

A. General Budget Policies

The City Council approves each year's budget submitted by the City Manager prior to the beginning of the new fiscal year. Public hearings are conducted prior to its adoption by the Council. Supplemental appropriations, where required during the period, are also approved by the Council. Intradepartmental budget changes are approved by the City Manager. In most cases, expenditures may not exceed appropriations at the department level. At fiscal year-end, all operating budget appropriations lapse.

B. Encumbrances

Encumbrances are estimations of costs related to unperformed contracts for goods and services. These commitments are recorded for budgetary control purposes in the General, Special Revenue and similar governmental funds. Encumbrances outstanding at year-end are reported as a reservation of fund balance. They represent the estimated amount of the expenditure ultimately to result if unperformed contracts in process at year-end are completed. They do not constitute expenditures or estimated liabilities.

C. Basis of Accounting

Budgets for governmental funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).

CITY OF LOMA LINDA
Required Supplementary Information, Continued
For the year ended June 30, 2006

1. BUDGETS AND BUDGETARY ACCOUNTING, Continued

D. Budgetary Comparison Schedules

The following is the budget comparison schedule for the General Fund.

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
FUND BALANCE - BEGINNING	\$ 5,160,850	\$ 5,160,850	\$ 5,160,850	\$ -
RESOURCES (INFLOWS):				
Taxes	3,809,300	4,110,800	4,667,281	556,481
Licenses and permits	865,200	944,300	949,820	5,520
Intergovernmental	1,208,400	1,498,400	1,527,752	29,352
Charges for services	2,836,900	2,698,900	2,790,584	91,684
Use of money and property	383,000	454,200	524,866	70,666
Fines and forfeitures	19,100	21,100	16,812	(4,288)
Miscellaneous	1,972,000	1,959,200	1,722,359	(236,841)
Loan proceeds	4,700	4,700	-	(4,700)
Transfers in	1,501,300	1,501,300	1,406,059	(95,241)
Amount available for appropriations	17,760,750	18,353,750	18,766,383	412,633
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
City council	74,800	85,500	81,195	4,305
City clerk	85,300	86,800	77,534	9,266
City manager	162,600	166,400	164,680	1,720
Finance	351,500	358,800	320,460	38,340
Information systems	61,200	64,500	59,546	4,954
Planning	388,900	445,250	410,117	35,133
Planning - building and safety	601,300	685,350	697,040	(11,690)
Code enforcement	97,300	110,800	89,096	21,704
General government	453,300	454,100	438,793	15,307
Police services	2,027,100	2,032,700	2,002,979	29,721
Parking control	145,900	148,900	129,632	19,268
Fire prevention	202,100	210,100	204,901	5,199
Fire and rescue services	2,965,900	2,973,700	2,920,292	53,408
Disaster preparedness	121,400	123,800	119,463	4,337
Animal regulation	70,400	70,400	70,327	73
Traffic safety	233,600	236,500	220,595	15,905
Engineering	238,000	354,500	310,210	44,290
Street maintenance	503,200	515,800	500,343	15,457
Facilities maintenance	160,800	195,900	179,725	16,175
Refuse	1,823,300	1,826,000	1,959,021	(133,021)
Recycling	51,500	62,100	61,558	542
Parks	494,700	507,100	477,868	29,232
Senior center	73,800	71,700	34,029	37,671
Transfers out	997,000	999,020	981,860	17,160
Principal	107,600	107,600	106,699	901
Interest	11,600	11,600	11,411	189
Total charges to appropriations	12,504,100	12,904,920	12,629,374	275,546
FUND BALANCE - ENDING	\$ 5,256,650	\$ 5,448,830	\$ 6,137,009	\$ 688,179

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CITY OF LOMA LINDA
Required Supplementary Information, Continued
For the year ended June 30, 2006

2. DEFINED BENEFIT PENSION PLAN

A schedule of funding progress for the past three actuarial valuation is presented below.

PUBLIC EMPLOYEES' RETIREMENT SYSTEM
SCHEDULE OF FUNDING PROGRESS

Miscellaneous Employees

	(A)	(B)	(C)	(D)	(E)	(F)
			Unfunded (Overfunded)			Unfunded (Overfunded) Actuarial Liability as Percentage of Covered Payroll (C/E)
Actuarial Valuation Date	Actuarial Asset Value	Entry Age Actuarial Accrued Liability	Actuarial Accrued Liability (B-A)	Funded Ratio (A/B)	Covered Payroll	
6/30/2002	\$ 10,033,000	\$ 8,844,000	\$ (1,189,000)	113.4%	\$ 2,151,000	-55.3%
CalPERS Risk Pool Information (See comment below)						
6/30/2003	2,372,879,034	2,596,966,545	224,087,511	91.4%	725,020,458	30.9%
6/30/2004	2,460,944,656	2,746,095,668	285,151,012	89.6%	743,691,970	38.3%

Safety Employees

	(A)	(B)	(C)	(D)	(E)	(F)
			Unfunded Actuarial			Unfunded Actuarial Liability as Percentage of Covered Payroll (C/E)
Actuarial Valuation Date	Actuarial Asset Value	Entry Age Actuarial Accrued Liability	Actuarial Accrued Liability (B-A)	Funded Ratio (A/B)	Covered Payroll	
6/30/2002	\$ 6,672,000	\$ 6,420,000	\$ (252,000)	103.9%	\$ 948,000	-26.6%
CalPERS Risk Pool Information (See comment below)						
6/30/2003	1,083,690,137	1,218,082,935	134,392,798	89.0%	184,098,257	73.0%
6/30/2004	885,549,650	996,203,370	110,653,720	88.9%	149,407,703	74.1%

Since the City has less than 100 active members in at least one valuation since June 30, 2004, the City is required to participate in a risk pool. An actuarial valuation was performed and included other participants within the same risk pool. Therefore, standalone information of the schedule of the funding progress for the City was not available.

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Supplementary Schedules



SUPPLEMENTAL INFORMATION

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Non-Major Governmental Funds

Special Revenue Funds

The Special Revenue Funds account for the proceeds of specific revenue sources that are legally restricted for expenditures related to specific purposes.

Traffic Safety Fund – This fund is to account for monies received from parking control violation fines.

Gas Tax Fund – This fund is to account for monies received and expended from the state and county gas allocation.

Measure I Fund – This fund is to account for monies received from a County one-half of one percent retail transaction and use tax.

Street Lighting District Fund – This fund is to account for monies received from property assessments restricted to fund district street lighting activities.

Landscape Maintenance District Fund – This fund is to account for monies received from property assessments restricted to fund district landscaping activities.

Air Quality Management District Fund – This fund is to account for monies received from AB2766 license fees.

Community Development Block Grant Fund – This fund is to account for Federal grants received from the Department of Housing and Urban Development and expended in community development.

Environmental Protection Agency Fund – This fund is to account for monies received for habitat enhancement along the San Timoteo Creek Channel through the City of Loma Linda, Redlands and an Bernardino County unincorporated area.

Grant Fund – This fund is to account for miscellaneous grants provided by Federal, State and County agencies such as the Code Enforcement Grant Program to purchase capital items related to Code Enforcement and California Healthy Cities to promote health and physical activity for Loma Linda residents.

Citizens Option for Public Safety Fund – This is to account for AB3229 Public Safety Grant revenue received from the State and expended for front-line law enforcement.

Traffic Congestion Relief Fund – This fund is to account for allocation from the state for street or road maintenance or reconstruction. The City is required to maintain existing commitment of general funds for street or roadwork in order to remain eligible for allocation of the specified funds.

Development Agreement Consideration Fund – This fund is to account for the monies received from developers to produce, improve, or preserve affordable housing within Redevelopment Project Areas that meet the needs to those whose income is 80% of the county median or below.

Non-Major Governmental Funds

Debt Service Funds

The Debt Service Funds account for the accumulation of resources and the payment of general long-term debt principal and interest of the City's related entities in the following funds:

Assessment District 72-1 Fund – This fund is to account for the accumulation of funds for the payment of principal and interest on bonds issued in 1973, for sewer line improvements on Redland Blvd.

Water Bond Redemption Fund – This fund is to account for the contribution from the Water Operations Fund and Water Acquisition Fund for the payment of principal and interest on Water Enterprise general obligation bonds issued to complete water system capital projects.

Loma Linda Financing Authority Fund – This fund is used to jointly exercise powers of the City and Redevelopment Agency and to establish a vehicle to reduce local borrowing costs and promote greater use of existing and new financial instruments.

Capital Project Funds

The Capital Project Funds account for financial resources to be used for the acquisition or construction of major capital facilities by the City except for those financed by Proprietary Funds. The Capital Project Funds account for the following projects:

Park Development Fund – This fund is to account for developer fees collected and expended for future park development and acquisition.

Storm Drain Fund – This fund is to account for developer fees collected and expended for improving and expanding the storm drain system city-wide.

Fire Equipment Fund – This fund is to account for developer fees collected and expended for future equipment necessitated by development.

Traffic Impact Fund – This fund is to account for developer fees collected and expended for major traffic control devices necessitated by development.

Fire Facilities Fund – This fund is to account for developer fees collected and expended for major fire facilities necessitated by development.

General Facilities Fund – This fund is to account for developer fees collected and expended for major general facilities necessitated by development.

Federal/State Construction Grants Fund – This fund is to account for miscellaneous grants provided by Federal, State and County agencies and expended for various street, park and recreation purposes.

Public Meeting Facilities Fund – This fund is to account for developer fees collected and expended for public meeting facilities as necessitated by development.

Public Library Facilities Fund – This fund is to account for developer fees collected and expended for public library facilities as necessitated by development.

Art in Public Places Fund – This fund is to account for developer fees collected and expended for art in public places as necessitated by development.

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CITY OF LOMA LINDA
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2006

	Special Revenue Funds				
	Traffic Safety	Gas Tax	Measure I	Street Lighting District	Landscape Maintenance District
ASSETS					
Cash and investments	\$ 276,757	\$ -	\$ 350,357	\$ 578,601	\$ 23,545
Receivables:					
Accounts	-	-	-	-	-
Taxes	-	40,297	-	9,184	5,952
Interest	-	-	4,222	6,746	582
Due from other governments	92,010	-	23,175	-	-
Prepaid items	-	-	-	3,041	1,969
Advances to other funds	-	-	-	-	-
Restricted assets:					
Cash and investments with fiscal agents	-	-	-	-	-
Total assets	\$ 368,767	\$ 40,297	\$ 377,754	\$ 597,572	\$ 32,048
LIABILITIES AND FUND BALANCE					
Liabilities:					
Accounts payable	\$ 242,325	\$ -	\$ 21,120	\$ 23,197	\$ 13,468
Accrued liabilities	-	-	-	676	275
Due to other funds	-	-	-	-	-
Deposits payable	-	-	-	-	8,541
Deferred revenue	-	-	-	-	-
Unearned revenue	-	-	-	-	-
Total liabilities	242,325	-	21,120	23,873	22,284
Fund Balance:					
Reserved for:					
Encumbrances	-	-	-	-	-
Prepaid items	-	-	-	3,041	1,969
Advances to other funds	-	-	-	-	-
Unreserved, undesignated	126,442	40,297	356,634	570,658	7,795
Total fund balance	126,442	40,297	356,634	573,699	9,764
Total liabilities and fund balance	\$ 368,767	\$ 40,297	\$ 377,754	\$ 597,572	\$ 32,048

Special Revenue Funds							Debt Service Funds
Air Quality Management District	Community Development	EPA Grant	Grant Fund	Citizens Option for Public Safety Fund	Traffic Congestion Relief Grant	Development Agreement Consideration	Assessment District 72-1
\$ 32,000	\$ -	\$ 23,385	\$ -	\$ 198,602	\$ -	\$ 516,166	\$ 54,105
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
350	-	-	98	3,069	-	3,312	611
6,500	2,787	30,869	57,670	-	27,437	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
\$ 38,850	\$ 2,787	\$ 54,254	\$ 57,768	\$ 201,671	\$ 27,437	\$ 519,478	\$ 54,716
\$ 975	\$ -	\$ 10,936	\$ 5	\$ 1,070	\$ 4,570	\$ -	\$ -
-	-	-	39	-	-	-	-
-	32,510	-	1,128	-	31,500	-	-
-	-	-	-	-	-	-	-
-	2,675	-	57,670	-	-	-	-
-	-	30,869	45,679	200,601	-	-	-
975	35,185	41,805	104,521	201,671	36,070	-	-
-	-	13,926	-	85,000	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
37,875	(32,398)	(1,477)	(46,753)	(85,000)	(8,633)	519,478	54,716
37,875	(32,398)	12,449	(46,753)	-	(8,633)	519,478	54,716
\$ 38,850	\$ 2,787	\$ 54,254	\$ 57,768	\$ 201,671	\$ 27,437	\$ 519,478	\$ 54,716

CITY OF LOMA LINDA
Combining Balance Sheet
Nonmajor Governmental Funds, Continued
June 30, 2006

	Debt Service Funds		Capital Projects Funds		
	Water Bond Redemption Fund	Loma Linda Financing Authority	Park	Storm Drain	Fire Equipment
ASSETS					
Cash and investments	\$ 38,871	\$ 11,526	\$ 793,411	\$ 723,220	\$ 24,598
Receivables:					
Accounts	-	-	-	-	-
Taxes	-	-	-	-	-
Interest	439	131	8,231	8,021	278
Due from other governments	-	-	32,004	-	-
Prepaid items	-	-	-	-	-
Advances to other funds	-	-	195,390	-	-
Restricted assets:					
Cash and investments with fiscal agents	-	1,143,127	-	-	-
Total assets	\$ 39,310	\$ 1,154,784	\$ 1,029,036	\$ 731,241	\$ 24,876
LIABILITIES AND FUND BALANCE					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ 21,632	\$ -	\$ -
Accrued liabilities	-	-	-	-	-
Due to other funds	-	126,497	-	-	-
Deposits payable	-	-	-	-	-
Deferred revenue	-	-	227,394	-	-
Unearned revenue	-	-	-	-	-
Total liabilities	-	126,497	249,026	-	-
Fund Balance:					
Reserved for:					
Encumbrances	-	-	10,660	-	-
Prepaid items	-	-	-	-	-
Advances to other funds	-	-	195,390	-	-
Unreserved, undesignated	39,310	1,028,287	573,960	731,241	24,876
Total fund balance	39,310	1,028,287	780,010	731,241	24,876
Total liabilities and fund balance	\$ 39,310	\$ 1,154,784	\$ 1,029,036	\$ 731,241	\$ 24,876

Capital Projects Funds							
Traffic Impact	Fire Facilities	General Facilities	Federal/State Construction	Public Meeting Facilities	Public Library Facilities	Art in Public Places	Nonmajor Governmental Funds
\$ 982,247	\$ 398,689	\$ 257,268	\$ -	\$ 82,606	\$ 62,616	\$ 116,271	\$ 5,544,841
-	-	-	141,750	-	-	-	141,750
-	-	-	-	-	-	-	55,433
8,932	4,391	4,589	-	885	671	1,186	56,744
-	-	-	91,471	-	-	-	363,923
-	-	-	-	-	-	-	5,010
-	-	-	-	-	-	-	195,390
-	-	-	-	-	-	-	1,143,127
<u>\$ 991,179</u>	<u>\$ 403,080</u>	<u>\$ 261,857</u>	<u>\$ 233,221</u>	<u>\$ 83,491</u>	<u>\$ 63,287</u>	<u>117,457</u>	<u>\$ 7,506,218</u>
\$ -	\$ -	\$ 78,199	\$ -	\$ -	\$ -	\$ -	\$ 417,497
-	-	-	-	-	-	-	990
-	-	-	153,229	-	-	-	344,864
-	-	-	-	-	-	-	8,541
-	-	-	91,471	-	-	-	379,210
-	-	-	-	-	-	-	277,149
-	-	78,199	244,700	-	-	-	1,428,251
-	-	-	3,466	-	-	-	113,052
-	-	-	-	-	-	-	5,010
-	-	-	-	-	-	-	195,390
991,179	403,080	183,658	(14,945)	83,491	63,287	117,457	5,764,515
991,179	403,080	183,658	(11,479)	83,491	63,287	117,457	6,077,967
<u>\$ 991,179</u>	<u>\$ 403,080</u>	<u>\$ 261,857</u>	<u>\$ 233,221</u>	<u>\$ 83,491</u>	<u>\$ 63,287</u>	<u>\$ 117,457</u>	<u>\$ 7,506,218</u>

CITY OF LOMA LINDA

Combining Statement of Revenues, Expenditures and Changes in Fund Balance

Nonmajor Governmental Funds

For the year ended June 30, 2006

	Special Revenue Funds				
	Traffic Safety	Gas Tax	Measure I	Street Lighting District	Landscape Maintenance District
REVENUES:					
Taxes	\$ -	\$ -	\$ 348,340	\$ 307,237	\$ 393,236
Intergovernmental	-	401,310	-	-	-
Charges for services	-	-	-	-	-
Use of money and property	-	-	13,666	20,537	582
Fines and forfeitures	502,141	-	-	-	-
Contributions	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Developer fees	-	-	-	-	-
Total revenues	502,141	401,310	362,006	327,774	393,818
EXPENDITURES:					
Current:					
General government	-	-	-	-	-
Public safety	-	-	-	-	-
Community development	-	-	-	-	399,834
Public works	242,201	-	282,285	304,015	-
Capital outlay	-	-	-	-	-
Debt service:					
Principal retirement	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total expenditures	242,201	-	282,285	304,015	399,834
REVENUES OVER (UNDER) EXPENDITURES	259,940	401,310	79,721	23,759	(6,016)
OTHER FINANCING SOURCES (USES):					
Transfers in	-	-	-	-	-
Transfers out	(142,224)	(400,513)	-	-	-
Total other financing sources (uses)	(142,224)	(400,513)	-	-	-
Net change in fund balance	117,716	797	79,721	23,759	(6,016)
FUND BALANCE:					
Beginning of year, as restated	8,726	39,500	276,913	549,940	15,780
End of year	\$ 126,442	\$ 40,297	\$ 356,634	\$ 573,699	\$ 9,764

Special Revenue Funds							Debt Service Funds
Air Quality Management District	Community Development	EPA Grant	Grant Fund	Citizens Option for Public Safety Fund	Traffic Congestion Relief Fund	Development Agreement Consideration	Assessment District 72-1
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
26,221	317,876	-	42,642	91,901	96,666	-	-
-	-	-	-	-	-	-	-
929	201	-	1,297	8,384	-	3,313	1,977
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	2,389	-
-	-	-	-	-	-	962,412	-
27,150	318,077	-	43,939	100,285	96,666	968,114	1,977
12,643	-	-	-	-	-	-	-
-	-	-	-	27,254	-	-	-
-	-	-	92,583	-	-	448,668	-
-	346,617	56,125	-	-	105,299	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
12,643	346,617	56,125	92,583	27,254	105,299	448,668	-
14,507	(28,540)	(56,125)	(48,644)	73,031	(8,633)	519,446	1,977
-	-	-	2,020	-	-	-	-
-	-	-	-	(72,669)	-	-	-
-	-	-	2,020	(72,669)	-	-	-
14,507	(28,540)	(56,125)	(46,624)	362	(8,633)	519,446	1,977
23,368	(3,858)	68,574	(129)	(362)	-	32	52,739
\$ 37,875	\$ (32,398)	\$ 12,449	\$ (46,753)	\$ -	\$ (8,633)	\$ 519,478	\$ 54,716

CITY OF LOMA LINDA

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds, Continued

June 30, 2006

	Debt Service Funds		Capital Projects Funds		
	Water Bond Redemption Fund	Loma Linda Financing Authority	Park	Storm Drain	Fire Equipment
REVENUES:					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	53,209	-	-
Charges for services	-	-	-	176,833	2,601
Use of money and property	1,421	32,431	20,919	23,492	885
Fines and forfeitures	-	-	-	-	-
Contributions	-	-	1,000	-	-
Miscellaneous	-	-	-	-	-
Developer fees	-	-	504,718	-	-
Total revenues	1,421	32,431	579,846	200,325	3,486
EXPENDITURES:					
Current:					
General government	-	4,245	-	-	-
Public safety	-	-	-	-	-
Community development	-	-	-	-	-
Public works	-	-	-	2,115	-
Capital outlay	-	-	168,489	-	-
Debt service:					
Principal retirement	-	695,000	-	-	-
Interest and fiscal charges	-	300,513	-	-	-
Total liabilities	-	999,758	168,489	2,115	-
REVENUES OVER (UNDER) EXPENDITURES	1,421	(967,327)	411,357	198,210	3,486
OTHER FINANCING SOURCES (USES):					
Transfers in	-	979,840	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	-	979,840	-	-	-
Net change in fund balance	1,421	12,513	411,357	198,210	3,486
FUND BALANCE:					
Beginning of year, as restated	37,889	1,015,774	368,653	533,031	21,390
End of year	\$ 39,310	\$ 1,028,287	\$ 780,010	\$ 731,241	\$ 24,876

Capital Projects Funds							Total
Traffic Impact	Fire Facilities	General Facilities	Federal/State Construction	Public Meeting Facilities	Public Library Facilities	Art in Public Places	Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,048,813
-	-	-	222,591	-	-	-	1,252,416
-	-	-	-	-	-	-	179,434
15,026	11,406	7,466	1,008	1,168	885	1,186	168,179
-	-	-	-	-	-	-	502,141
-	-	-	-	-	-	-	1,000
54,114	-	-	-	-	-	-	56,503
878,794	171,447	543,123	-	81,977	62,140	116,271	3,320,882
947,934	182,853	550,589	223,599	83,145	63,025	117,457	6,529,368
-	-	-	-	-	-	-	16,888
-	-	-	-	-	-	-	27,254
-	-	-	-	-	-	-	941,085
-	-	-	245,064	-	-	-	1,583,721
160,937	-	137,131	-	-	-	-	466,557
-	-	-	-	-	-	-	695,000
-	-	-	-	-	-	-	300,513
160,937	-	137,131	245,064	-	-	-	4,031,018
786,997	182,853	413,458	(21,465)	83,145	63,025	117,457	2,498,350
-	-	-	-	-	-	-	981,860
-	(30,869)	(296,824)	-	-	-	-	(943,099)
-	(30,869)	(296,824)	-	-	-	-	38,761
786,997	151,984	116,634	(21,465)	83,145	63,025	117,457	2,537,111
204,182	251,096	67,024	9,986	346	262	-	3,540,856
\$ 991,179	\$ 403,080	\$ 183,658	\$ (11,479)	\$ 83,491	\$ 63,287	\$ 117,457	\$ 6,077,967

CITY OF LOMA LINDA

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual Redevelopment Agency Debt Service For the year ended June 30, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final	Amounts	
FUND BALANCE - BEGINNING	\$ (7,168,107)	\$ (7,168,107)	\$ (7,168,107)	\$ -
RESOURCES (INFLOWS):				
Taxes	3,352,200	4,005,400	4,772,247	766,847
Use of money and property	7,000	10,700	64,562	53,862
Loan proceeds	815,700	815,700	-	(815,700)
Transfers in	1,400	1,400	-	(1,400)
Amount available for appropriation	(2,991,807)	(2,334,907)	(2,331,298)	3,609
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
General government	(1,800,000)	(1,800,000)	-	(1,800,000)
Debt service:				
Principal retirement	2,657,400	2,657,400	464,304	2,193,096
Interest and fiscal charges	3,126,200	3,126,200	1,832,182	1,294,018
Total charges to appropriations	3,983,600	3,983,600	2,296,486	1,687,114
FUND BALANCE - ENDING	\$ (6,975,407)	\$ (6,318,507)	\$ (4,627,784)	\$ 1,690,723

CITY OF LOMA LINDA

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

Special Projects Construction

For the year ended June 30, 2006

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
FUND BALANCE - BEGINNING	\$ 7,412,784	\$ 7,412,784	\$ 7,412,783	\$ (1)
RESOURCES (INFLOWS):				
Use of money and property	5,000	19,500	69,015	49,515
Miscellaneous	-	395,800	395,863	63
Amount available for appropriation	7,417,784	7,828,084	7,877,661	49,577
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Public works	29,400	41,400	42,209	(809)
Transfers out	463,000	463,000	462,960	40
Total charges to appropriations	492,400	504,400	505,169	(769)
FUND BALANCE - ENDING	\$ 6,925,384	\$ 7,323,684	\$ 7,372,492	\$ 48,808

CITY OF LOMA LINDA

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual Redevelopment Agency Capital Projects For the year ended June 30, 2006

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
FUND BALANCE - BEGINNING	\$ 9,727,221	\$ 9,727,221	\$ 9,727,221	\$ -
RESOURCES (INFLOWS):				
Taxes	908,100	1,071,300	1,327,290	255,990
Use of money and property	102,700	476,400	904,944	428,544
Miscellaneous	-	-	12,473	12,473
Bond proceeds	10,505,000	25,535,000	25,535,000	-
Premium on bonds	1,152,300	1,466,300	313,969	(1,152,331)
Transfers in	70,000	70,000	70,000	-
Amount available for appropriation	22,465,321	38,346,221	37,890,897	(455,324)
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
General government	2,174,100	3,182,900	1,926,115	1,256,785
Community development	5,954,400	13,246,877	2,459,277	10,787,600
Debt service:				
Bond issuance costs	909,400	909,400	899,273	10,127
Discount on bonds	79,900	79,900	79,798	102
Transfers out	72,600	72,600	70,000	2,600
Total charges to appropriations	9,190,400	17,491,677	5,434,463	12,057,214
FUND BALANCE - ENDING	\$ 13,274,921	\$ 20,854,544	\$ 32,456,434	\$ 11,601,890

CITY OF LOMA LINDA**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual****Traffic Safety****For the year ended June 30, 2006**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
FUND BALANCE - BEGINNING	\$ 8,726	\$ 8,726	\$ 8,726	\$ -
RESOURCES (INFLOWS):				
Fines and forfeitures	129,600	585,600	502,141	(83,459)
Amount available for appropriation	138,326	594,326	510,867	(83,459)
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Public works	-	255,500	242,201	13,299
Transfers out	129,600	129,600	142,224	(12,624)
Total charges to appropriations	129,600	385,100	384,425	675
FUND BALANCE - ENDING	\$ 8,726	\$ 209,226	\$ 126,442	\$ (82,784)

CITY OF LOMA LINDA

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual Gas Tax

For the year ended June 30, 2006

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
FUND BALANCE - BEGINNING	\$ 39,500	\$ 39,500	\$ 39,500	\$ -
RESOURCES (INFLOWS):				
Intergovernmental	399,000	390,100	401,310	11,210
Amount available for appropriation	438,500	429,600	440,810	11,210
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Transfers out	399,000	399,000	400,513	(1,513)
Total charges to appropriations	399,000	399,000	400,513	(1,513)
FUND BALANCE - ENDING	\$ 39,500	\$ 30,600	\$ 40,297	\$ 9,697

CITY OF LOMA LINDA

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual Measure I

For the year ended June 30, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
FUND BALANCE - BEGINNING	\$ 276,913	\$ 276,913	\$ 276,913	\$ -
RESOURCES (INFLOWS):				
Taxes	276,000	324,000	348,340	24,340
Use of money and property	3,500	5,300	13,666	8,366
Amount available for appropriation	556,413	606,213	638,919	32,706
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Public works	520,000	520,000	282,285	237,715
Total charges to appropriations	520,000	520,000	282,285	237,715
FUND BALANCE - ENDING	\$ 36,413	\$ 86,213	\$ 356,634	\$ 270,421

CITY OF LOMA LINDA**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual****Street Lighting District****For the year ended June 30, 2006**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
FUND BALANCE - BEGINNING	\$ 549,940	\$ 549,940	\$ 549,940	\$ -
RESOURCES (INFLOWS):				
Taxes	298,100	298,100	307,237	9,137
Use of money and property	7,000	15,200	20,537	5,337
Amount available for appropriation	855,040	863,240	877,714	14,474
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Public works	381,200	383,000	304,015	78,985
Total charges to appropriations	381,200	383,000	304,015	78,985
FUND BALANCE - ENDING	\$ 473,840	\$ 480,240	\$ 573,699	\$ 93,459

CITY OF LOMA LINDA

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

Landscape Maintenance District

For the year ended June 30, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
FUND BALANCE - BEGINNING	\$ 15,780	\$ 15,780	\$ 15,780	\$ -
RESOURCES (INFLOWS):				
Taxes	518,800	518,800	393,236	(125,564)
Use of money and property	100	1,700	582	(1,118)
Amount available for appropriation	534,680	536,280	409,598	(126,682)
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Community development	374,800	473,700	399,834	73,866
Total charges to appropriations	374,800	473,700	399,834	73,866
FUND BALANCE - ENDING	\$ 159,880	\$ 62,580	\$ 9,764	\$ (52,816)

CITY OF LOMA LINDA

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

Air Quality Management District

For the year ended June 30, 2006

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
FUND BALANCE - BEGINNING	\$ 23,368	\$ 23,368	\$ 23,368	\$ -
RESOURCES (INFLOWS):				
Intergovernmental	24,000	25,800	26,221	421
Use of money and property	200	600	929	329
Amount available for appropriation	47,568	49,768	50,518	750
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
General government	14,200	14,200	12,643	1,557
Total charges to appropriations	14,200	14,200	12,643	1,557
FUND BALANCE - ENDING	\$ 33,368	\$ 35,568	\$ 37,875	\$ 2,307

CITY OF LOMA LINDA

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

Community Development

For the year ended June 30, 2006

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
FUND BALANCE - BEGINNING, AS RESTATED	\$ (3,858)	\$ (3,858)	\$ (3,858)	\$ -
RESOURCES (INFLOWS):				
Intergovernmental	262,000	262,000	317,876	55,876
Use of money and property	-	200	201	1
Amount available for appropriation	<u>258,142</u>	<u>258,342</u>	<u>314,219</u>	<u>55,877</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Public works	<u>274,500</u>	<u>274,500</u>	<u>346,617</u>	<u>(72,117)</u>
Total charges to appropriations	<u>274,500</u>	<u>274,500</u>	<u>346,617</u>	<u>(72,117)</u>
FUND BALANCE - ENDING	<u>\$ (16,358)</u>	<u>\$ (16,158)</u>	<u>\$ (32,398)</u>	<u>\$ (16,240)</u>

CITY OF LOMA LINDA

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual Environmental Protection Agency Grant For the year ended June 30, 2006

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
FUND BALANCE - BEGINNING, AS RESTATED	\$ 68,575	\$ 68,575	\$ 68,574	\$ (1)
RESOURCES (INFLOWS):				
Intergovernmental	385,000	385,000	-	(385,000)
Contributions	22,500	22,500	-	(22,500)
Transfers in	4,700	4,700	-	(4,700)
Amount available for appropriation	480,775	480,775	68,574	(412,201)
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
General government	3,000	3,000	-	3,000
Public works	389,700	389,700	56,125	333,575
Total charges to appropriations	392,700	392,700	56,125	336,575
FUND BALANCE - ENDING	\$ 88,075	\$ 88,075	\$ 12,449	\$ (75,626)

CITY OF LOMA LINDA

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual Grant Fund

For the year ended June 30, 2006

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
FUND BALANCE - BEGINNING	\$ (129)	\$ (129)	\$ (129)	\$ -
RESOURCES (INFLOWS):				
Intergovernmental	99,800	117,980	42,642	(75,338)
Use of money and property	700	1,800	1,297	(503)
Transfers in	-	2,020	2,020	-
Amount available for appropriation	100,371	121,671	45,830	(75,841)
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Community development	128,900	127,100	92,583	34,517
Total charges to appropriations	128,900	127,100	92,583	34,517
FUND BALANCE - ENDING	\$ (28,529)	\$ (5,429)	\$ (46,753)	\$ (41,324)

CITY OF LOMA LINDA

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

Citizens Option for Public Safety

For the year ended June 30, 2006

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
FUND BALANCE - BEGINNING	\$ -	\$ -	\$ (362)	\$ (362)
RESOURCES (INFLOWS):				
Intergovernmental	111,800	111,800	91,901	(19,899)
Use of money and property	1,000	5,300	8,384	3,084
Amount available for appropriation	112,800	117,100	99,923	(17,177)
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Public safety	2,500	27,200	27,254	(54)
Transfers out	111,900	111,700	72,669	39,031
Total charges to appropriations	114,400	138,900	99,923	38,977
FUND BALANCE - ENDING	\$ (1,600)	\$ (21,800)	\$ -	\$ 21,800

CITY OF LOMA LINDA**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual****Traffic Congestion Relief****For the year ended June 30, 2006**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
FUND BALANCE - BEGINNING	\$ -	\$ -	\$ -	\$ -
RESOURCES (INFLOWS):				
Intergovernmental	-	107,000	96,666	(10,334)
Use of money and property	-	200	-	(200)
Amount available for appropriation	-	107,200	96,666	(10,534)
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Public works	-	107,000	105,299	1,701
Total charges to appropriations	-	107,000	105,299	1,701
FUND BALANCE - ENDING	\$ -	\$ 200	\$ (8,633)	\$ (8,833)

CITY OF LOMA LINDA

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual Development Agreement Consideration For the year ended June 30, 2006

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
FUND BALANCE - BEGINNING	\$ 32	\$ 32	\$ 32	\$ -
RESOURCES (INFLOWS):				
Use of money and property	1,000	1,000	3,313	2,313
Miscellaneous	-	-	2,389	2,389
Developer fees	841,500	841,500	962,412	120,912
Amount available for appropriation	842,532	842,532	968,146	125,614
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Community development	448,668	448,668	448,668	-
Total charges to appropriations	448,668	448,668	448,668	-
FUND BALANCE - ENDING	\$ 393,864	\$ 393,864	\$ 519,478	\$ 125,614

CITY OF LOMA LINDA**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual****Assessment District 72-1****For the year ended June 30, 2006**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
FUND BALANCE - BEGINNING	\$ 52,739	\$ 52,739	\$ 52,739	\$ -
RESOURCES (INFLOWS):				
Use of money and property	500	1,600	1,977	377
Amount available for appropriation	53,239	54,339	54,716	377
FUND BALANCE - ENDING	\$ 53,239	\$ 54,339	\$ 54,716	\$ 377

CITY OF LOMA LINDA**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual****1978 Water Bond Redemption****For the year ended June 30, 2006**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
FUND BALANCE - BEGINNING	\$ 37,889	\$ 37,889	\$ 37,889	\$ -
RESOURCES (INFLOWS):				
Use of money and property	500	1,000	1,421	421
Amount available for appropriation	38,389	38,889	39,310	421
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Debt service:				
Principal retirement	10,000	10,000	-	10,000
Total charges to appropriations	10,000	10,000	-	10,000
FUND BALANCE - ENDING	\$ 28,389	\$ 28,889	\$ 39,310	\$ 10,421

CITY OF LOMA LINDA

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

Loma Linda Public Financing Authority

For the year ended June 30, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
FUND BALANCE - BEGINNING	\$ 1,015,774	\$ 1,015,774	\$ 1,015,774	\$ -
RESOURCES (INFLOWS):				
Use of money and property	15,100	15,400	32,431	17,031
Transfers in	995,500	995,500	979,840	(15,660)
Amount available for appropriation	<u>2,026,374</u>	<u>2,026,674</u>	<u>2,028,045</u>	<u>1,371</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
General government	4,100	4,100	4,245	(145)
Debt service:				
Principal retirement	695,000	695,000	695,000	-
Interest and fiscal charges	300,600	300,600	300,513	87
Total charges to appropriations	<u>999,700</u>	<u>999,700</u>	<u>999,758</u>	<u>(58)</u>
FUND BALANCE - ENDING	<u>\$ 1,026,674</u>	<u>\$ 1,026,974</u>	<u>\$ 1,028,287</u>	<u>\$ 1,313</u>

CITY OF LOMA LINDA

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual Park

For the year ended June 30, 2006

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
FUND BALANCE - BEGINNING	\$ 368,653	\$ 368,653	\$ 368,653	\$ -
RESOURCES (INFLOWS):				
Intergovernmental	-	53,200	53,209	9
Use of money and property	3,300	18,200	20,919	2,719
Contributions	10,000	10,000	1,000	(9,000)
Developer fees	178,200	653,400	504,718	(148,682)
Amount available for appropriation	560,153	1,103,453	948,499	(154,954)
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Capital outlay	738,000	738,000	168,489	569,511
Total charges to appropriations	738,000	738,000	168,489	569,511
FUND BALANCE - ENDING	\$ (177,847)	\$ 365,453	\$ 780,010	\$ 414,557

CITY OF LOMA LINDA

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual Storm Drain

For the year ended June 30, 2006

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
FUND BALANCE - BEGINNING	\$ 533,031	\$ 533,031	\$ 533,031	\$ -
RESOURCES (INFLOWS):				
Charges for services	146,000	168,900	176,833	7,933
Use of money and property	7,000	9,800	23,492	13,692
Amount available for appropriation	686,031	711,731	733,356	21,625
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Public works	675,600	675,600	2,115	673,485
Total charges to appropriations	675,600	675,600	2,115	673,485
FUND BALANCE - ENDING	\$ 10,431	\$ 36,131	\$ 731,241	\$ 695,110

CITY OF LOMA LINDA

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

Fire Equipment

For the year ended June 30, 2006

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
FUND BALANCE - BEGINNING	\$ 21,390	\$ 21,390	\$ 21,390	\$ -
RESOURCES (INFLOWS):				
Charges for services	-	2,600	2,601	1
Use of money and property	-	700	885	185
Amount available for appropriation	21,390	24,690	24,876	186
FUND BALANCE - ENDING	\$ 21,390	\$ 24,690	\$ 24,876	\$ 186

CITY OF LOMA LINDA

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

Traffic Impact

For the year ended June 30, 2006

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
FUND BALANCE - BEGINNING	\$ 204,182	\$ 204,182	\$ 204,182	\$ -
RESOURCES (INFLOWS):				
Use of money and property	1,500	14,400	15,026	626
Miscellaneous	-	-	54,114	54,114
Developer fees	666,200	678,000	878,794	200,794
Amount available for appropriation	871,882	896,582	1,152,116	255,534
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Capital outlay	373,900	373,900	160,937	212,963
Total charges to appropriations	373,900	373,900	160,937	212,963
FUND BALANCE - ENDING	\$ 497,982	\$ 522,682	\$ 991,179	\$ 468,497

CITY OF LOMA LINDA**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual****Fire Facilities****For the year ended June 30, 2006**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
FUND BALANCE - BEGINNING	\$ 251,096	\$ 251,096	\$ 251,096	\$ -
RESOURCES (INFLOWS):				
Use of money and property	4,000	10,000	11,406	1,406
Developer fees	132,100	129,200	171,447	42,247
Amount available for appropriation	387,196	390,296	433,949	43,653
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Transfers out	33,700	33,700	30,869	2,831
Total charges to appropriations	33,700	33,700	30,869	2,831
FUND BALANCE - ENDING	\$ 353,496	\$ 356,596	\$ 403,080	\$ 46,484

CITY OF LOMA LINDA

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

General Facilities

For the year ended June 30, 2006

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
FUND BALANCE - BEGINNING	\$ 67,024	\$ 67,024	\$ 67,024	\$ -
RESOURCES (INFLOWS):				
Use of money and property	800	4,900	7,466	2,566
Developer fees	469,200	354,700	543,123	188,423
Amount available for appropriation	537,024	426,624	617,613	190,989
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Capital outlay	141,000	141,000	137,131	3,869
Transfers out	364,200	364,200	296,824	67,376
Total charges to appropriations	505,200	505,200	433,955	71,245
FUND BALANCE - ENDING	\$ 31,824	\$ (78,576)	\$ 183,658	\$ 262,234

CITY OF LOMA LINDA**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual****Federal/State Construction****For the year ended June 30, 2006**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
FUND BALANCE - BEGINNING	\$ 9,986	\$ 9,986	\$ 9,986	\$ -
RESOURCES (INFLOWS):				
Intergovernmental	5,253,800	5,253,800	222,591	(5,031,209)
Use of money and property	-	-	1,008	1,008
Amount available for appropriation	<u>5,263,786</u>	<u>5,263,786</u>	<u>233,585</u>	<u>(5,030,201)</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Public works	<u>4,966,300</u>	<u>4,966,300</u>	<u>245,064</u>	<u>4,721,236</u>
Total charges to appropriations	<u>4,966,300</u>	<u>4,966,300</u>	<u>245,064</u>	<u>4,721,236</u>
FUND BALANCE - ENDING	<u>\$ 297,486</u>	<u>\$ 297,486</u>	<u>\$ (11,479)</u>	<u>\$ (308,965)</u>

CITY OF LOMA LINDA

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

Public Meeting Facilities

For the year ended June 30, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
FUND BALANCE - BEGINNING	\$ 346	\$ 346	\$ 346	\$ -
RESOURCES (INFLOWS):				
Use of money and property	200	1,600	1,168	(432)
Developer fees	72,800	51,400	81,977	30,577
Amount available for appropriation	73,346	53,346	83,491	30,145
FUND BALANCE - ENDING	\$ 73,346	\$ 53,346	\$ 83,491	\$ 30,145

CITY OF LOMA LINDA

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

Public Library Facilities

For the year ended June 30, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
FUND BALANCE - BEGINNING	\$ 262	\$ 262	\$ 262	\$ -
RESOURCES (INFLOWS):				
Use of money and property	200	1,200	885	(315)
Developer fees	55,400	39,100	62,140	23,040
Amounts available for appropriation	55,862	40,562	63,287	22,725
FUND BALANCE - ENDING	\$ 55,862	\$ 40,562	\$ 63,287	\$ 22,725

CITY OF LOMA LINDA

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual Art in Public Places

For the year ended June 30, 2006

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
FUND BALANCE - BEGINNING	\$ -	\$ -	\$ -	\$ -
RESOURCES (INFLOWS):				
Use of money and property	-	-	1,186	1,186
Developer fees	-	-	116,271	116,271
Amounts available for appropriation	-	-	117,457	117,457
FUND BALANCE - ENDING	\$ -	\$ -	\$ 117,457	\$ 117,457

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Agency Funds



Agency Fund Financial Statements

The City's Agency Funds include Association Fire Equipment Fund and Customer Deposits Fund.

CITY OF LOMA LINDA
Combining Balance Sheet
All Agency Funds
June 30, 2006

	Association Fire Equipment	Customer Deposits	Total
ASSETS			
Cash and investments	\$ 103	\$ 100,689	\$ 100,792
Total assets	<u>\$ 103</u>	<u>\$ 100,689</u>	<u>\$ 100,792</u>
LIABILITIES			
Deposits payable	\$ 103	\$ 100,689	\$ 100,792
Total liabilities	<u>\$ 103</u>	<u>\$ 100,689</u>	<u>\$ 100,792</u>

CITY OF LOMA LINDA
Combining Statement of Changes in Assets and Liabilities
All Agency Funds
For the year ended June 30, 2006

	Balance July 1, 2005	Additions	Deductions	Balance June 30, 2006
<u>Association Fire Equipment Fund</u>				
Assets:				
Cash and investments	\$ 175	\$ 744	\$ 816	\$ 103
Total assets	<u>\$ 175</u>	<u>\$ 744</u>	<u>\$ 816</u>	<u>\$ 103</u>
Liabilities:				
Accounts payable	\$ 115	\$ 701	\$ 816	\$ -
Deposits payable	60	744	701	103
Total liabilities	<u>\$ 175</u>	<u>\$ 1,445</u>	<u>\$ 1,517</u>	<u>\$ 103</u>
<u>Customer Deposits Fund</u>				
Assets:				
Cash and investments	\$ 86,837	\$ 92,034	\$ 78,182	\$ 100,689
Total assets	<u>\$ 86,837</u>	<u>\$ 92,034</u>	<u>\$ 78,182</u>	<u>\$ 100,689</u>
Liabilities:				
Accounts payable	\$ -	\$ 209	\$ 209	\$ -
Deposits payable	86,837	92,034	78,182	100,689
Total liabilities	<u>\$ 86,837</u>	<u>\$ 92,243</u>	<u>\$ 78,391</u>	<u>\$ 100,689</u>
<u>Total - All Agency Funds</u>				
Assets:				
Cash and investments	\$ 87,012	\$ 92,778	\$ 78,998	\$ 100,792
Total assets	<u>\$ 87,012</u>	<u>\$ 92,778</u>	<u>\$ 78,998</u>	<u>\$ 100,792</u>
Liabilities:				
Accounts payable	\$ 115	\$ 910	\$ 1,025	\$ -
Deposits payable	86,897	92,778	78,883	100,792
Total liabilities	<u>\$ 87,012</u>	<u>\$ 93,688</u>	<u>\$ 79,908</u>	<u>\$ 100,792</u>

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Statistical Section



STATISTICAL SECTION

(Unaudited)

This part of the City of Loma Linda's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

Contents	Page
<i>Financial Trends</i>	
These schedules contain trend information to help the reader understand how the city's financial performance and well-being have changed over time.	123
<i>Revenue Capacity</i>	
These schedules contain information to help the reader assess the city's most significant local revenue source, the property tax.	130
<i>Debt Capacity</i>	
These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	134
<i>Demographic and Economic Information</i>	
These schedules offer demographic and economic indicators to help the reader understand the environment within which the city's financial activities take place.	139
<i>Operating Information</i>	
These schedules contain service and infrastructure data to help the reader understand how the information in the city's financial report relates to the services the city provides and the activities it performs.	141

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CITY OF LOMA LINDA
Net Assets By Component
Last Four (4) Fiscal Years
(accrual basis of accounting)

	Fiscal Year			
	2003	2004	2005	2006
Governmental activities:				
Invested in capital assets, net of related debt	\$ 15,055,862	\$ 15,688,166	\$ (4,459,538)	\$ (2,238,756)
Restricted	20,325,615	7,966,878	9,442,397	22,285,014
Unrestricted	(28,144,897)	(8,256,126)	15,699,746	8,935,756
Total governmental activities net assets	<u>\$ 7,236,580</u>	<u>\$ 15,398,918</u>	<u>\$ 20,682,605</u>	<u>\$ 28,982,014</u>
Business-type activities:				
Invested in capital assets, net of related debt	\$ 8,268,762	\$ 8,290,384	\$ 10,713,919	\$ 14,302,367
Restricted	13,297,157	13,488,872	14,223,305	37,819
Unrestricted	205,857	686,292	(1,439,620)	9,084,068
Total business-type activities net assets	<u>\$ 21,771,776</u>	<u>\$ 22,465,548</u>	<u>\$ 23,497,604</u>	<u>\$ 23,424,254</u>
Primary government:				
Restricted	\$ 56,947,396	\$ 45,434,300	\$ 29,920,083	\$ 34,386,444
Unrestricted	(27,939,040)	(7,569,834)	14,260,126	18,019,824
Total primary government net assets	<u>\$ 29,008,356</u>	<u>\$ 37,864,466</u>	<u>\$ 44,180,209</u>	<u>\$ 52,406,268</u>

Source: City of Loma Linda Finance Department

CITY OF LOMA LINDA
Changes In Net Assets
Last Four (4) Fiscal Years
(accrual basis of accounting)

	Fiscal Year			
	2003	2004	2005	2006
Expenses				
Governmental activities:				
General government	\$ 1,279,124	\$ 2,604,254	\$ 2,857,749	\$ 3,421,268
Public safety	5,760,755	4,656,425	4,958,618	5,202,552
Community development	1,157,777	2,077,026	2,738,015	3,242,959
Public works	4,822,694	4,038,195	3,694,483	3,609,940
Interest on long-term debt	1,296,339	2,412,503	2,111,982	2,940,179
Total governmental activities expenses	14,316,689	15,788,403	16,360,847	18,416,898
Business-type activities:				
Water acquisition	80,356	115,719	80,784	590,177
Water enterprise	3,513,181	3,352,615	3,950,270	4,872,363
Sewer capital	2,479,943	2,417,446	2,670,092	2,901,877
Loma Linda Connected Communities	-	177	344,701	866,377
Total business-type activities expenses	6,073,480	5,885,957	7,045,847	9,230,794
Total primary government expenses	\$ 20,390,169	\$ 21,674,360	\$ 23,406,694	\$ 27,647,692
Program Revenues				
Governmental activities:				
Charges for services:				
General Government	\$ 34,728	\$ 398,246	\$ 23,534	\$ 1,947,006
Public Safety	438,988	640,067	759,324	819,202
Community development	528,104	1,406,603	2,867,323	4,597,148
Public works	2,559,723	2,797,037	3,202,591	3,117,229
Operating contributions and grants	1,142,749	897,642	589,251	628,309
Capital contributions and grants	1,469,035	522,679	154,848	648,198
Total governmental activities program revenues	6,173,327	6,662,274	7,596,871	11,757,092
Business-type activities:				
Charges for services:				
Water acquisition	38,625	157,840	525,563	1,084,782
Water enterprise	3,153,175	3,323,790	3,333,844	3,484,542
Sewer capital	2,284,705	2,331,901	2,538,822	2,630,238
Loma Linda Connected Communities	-	14,810	86,288	111,773
Capital Grants and Contributions	-	-	-	559,548
Total business-type activities program revenues	5,476,505	5,828,341	6,484,517	7,870,883
Total primary government revenues	\$ 11,649,832	\$ 12,490,615	\$ 14,081,388	\$ 19,627,975
Net (expense)/revenue				
Governmental activities	\$ (8,143,362)	\$ (9,126,129)	\$ (8,763,976)	\$ (6,659,806)
Business-type activities	(596,975)	(57,616)	(561,330)	(1,359,911)
Total primary government net (expense)/revenue	\$ (8,740,337)	\$ (9,183,745)	\$ (9,325,306)	\$ (8,019,717)

CITY OF LOMA LINDA
Changes In Net Assets, Continued
Last Four (4) Fiscal Years
(accrual basis of accounting)

	Fiscal Year			
	2003	2004	2005	2006
General Revenues and Other Changes in Net Assets				
Government activities:				
Taxes				
Property taxes	\$ 7,587,562	\$ 5,655,050	\$ 6,334,023	\$ 8,381,521
Sales taxes	400,256	2,082,820	2,678,275	2,848,890
Franchise tax	7,711	7,380	9,748	6,995
Other taxes	-	10,687	9,988	81,050
Motor vehicle in lieu	230,648	923,229	1,597,971	1,511,940
Transfers	69,331	270	(69,663)	-
Total taxes and transfers	8,295,508	8,679,436	10,560,342	12,830,396
Investment income	677,543	747,461	1,795,884	1,856,519
Miscellaneous	1,103,720	2,247,743	1,402,044	408,670
Total governmental activities	10,076,771	11,674,640	13,758,270	15,095,585
Business-type activities:				
Investment income	557,198	614,862	733,815	986,355
Miscellaneous	417,329	136,796	699,057	300,206
Transfers	(69,331)	(270)	69,663	-
Total business-type activities	905,196	751,388	1,502,535	1,286,561
Total primary government	\$ 10,981,967	\$ 12,426,028	\$ 15,260,805	\$ 16,382,146
Change in Net Assets				
Governmental activities	\$ 1,933,409	\$ 2,548,511	\$ 4,994,294	\$ 8,435,779
Business-type activities	308,221	693,772	941,205	(73,350)
Total primary government	\$ 2,241,630	\$ 3,242,283	\$ 5,935,499	\$ 8,362,429

Source: City of Loma Linda Finance Department

CITY OF LOMA LINDA

Governmental Activities Tax And Assessments Revenues By Source

Last Ten (10) Fiscal Years

(modified accrual basis of accounting)

Fiscal Year	Property Taxes	Sales & Use Tax	Franchise Fees	Transfer Tax	Transient Tax	Business License	Utility Users Tax	Misc. Taxes	Assess-ments	Total
1997	\$ 551,478	\$ 1,531,308	\$ 241,716	\$ 15,386	\$ 4,197	\$ 164,975	\$ 138,271	\$ -	\$ 615,707	\$ 3,263,038
1998	551,740	1,751,378	323,964	25,723	7,602	167,104	-	6,257	616,991	3,450,759
1999	560,954	2,395,957	301,731	26,269	7,453	195,932	-	5,613	540,464	4,034,373
2000	605,285	2,315,983	309,788	50,023	7,477	220,451	-	6,782	554,979	4,070,768
2001	626,200	2,706,632	374,648	46,652	11,005	199,903	-	265,015	581,068	4,811,123
2002	717,732	2,700,666	414,011	-	8,864	215,836	-	219,504	561,677	4,838,290
2003 (1)	3,921,059	2,657,656	350,577	49,679	8,809	181,375	-	267,756	562,717	7,999,628
2004	4,411,438	2,342,773	442,994	68,036	8,319	230,221	-	7,380	571,227	8,082,388
2005	4,954,740	2,910,782	466,528	127,641	5,056	250,077	-	9,748	616,527	9,341,099
2006	6,942,748	3,197,230	522,074	116,371	57,665	272,076	-	6,995	700,472	11,815,631

Includes General, Special Revenue, Debt Service and Capital Projects Funds.

(1) Redevelopment Agency revenues were excluded from the Governmental Funds Financial Statements in 2002 and prior years

Source: City of Loma Linda Finance Department.

CITY OF LOMA LINDA
Fund Balances Of Governmental Funds
Last Four (4) Fiscal Years
(modified accrual basis of accounting)

	2003	2004	2005	2006
General fund				
Reserved	\$ 463,756	\$ 485,856	\$ 435,369	\$ 436,551
Unreserved	2,825,550	2,798,343	4,725,481	5,700,458
Total general fund	<u>\$ 3,289,306</u>	<u>\$ 3,284,199</u>	<u>\$ 5,160,850</u>	<u>\$ 6,137,009</u>
 All other governmental funds				
Reserved	\$ 20,940,191	\$ 23,477,600	\$ 27,004,511	\$ 36,492,184
Unreserved, reported in:				
Special revenue funds	822,605	710,169	1,011,723	1,484,918
Debt service funds	96,823	1,115,732	1,106,402	(10,257,312)
Capital project funds	572,957	504,174	1,252,129	13,559,319
Undesignated	(10,667,843)	(13,935,653)	(16,725,642)	-
Total all other governmental funds	<u>\$ 11,764,733</u>	<u>\$ 11,872,022</u>	<u>\$ 13,649,123</u>	<u>\$ 41,279,109</u>

Source: City of Loma Linda Finance Department

CITY OF LOMA LINDA
Changes In Fund Balances Of Governmental Funds
Last Four (4) Fiscal Years
(modified accrual basis of accounting)

	2003	2004	2005	2006
Revenues				
Taxes	\$ 7,999,628	\$ 8,082,388	\$ 9,341,099	\$ 11,815,631
Licenses and permits	221,549	814,575	1,274,884	949,820
Intergovernmental revenues	2,586,843	1,972,734	2,944,606	2,780,168
Charges for services	2,311,270	2,691,658	3,115,924	2,970,018
Use of money and property	1,380,690	1,139,325	1,046,965	1,731,566
Fines, forfeitures, and penalties	222,105	169,862	165,057	518,953
Contributions	-	109,893	43,889	1,000
Miscellaneous	1,936,583	1,693,405	1,689,089	2,187,198
Developer fees	44,795	102,923	1,556,016	3,320,882
Total Revenues	16,703,463	16,776,763	21,177,529	26,275,236
Expenditures				
General government	3,280,588	2,665,745	2,890,312	3,119,238
Public safety	5,566,662	4,682,066	4,976,235	5,474,848
Community development	1,023,527	2,119,235	2,733,328	5,074,483
Public works	4,164,120	4,116,492	3,706,711	4,857,384
Capital outlay	258,867	362,267	244,200	466,557
Debt service				
Principal retirement	964,013	756,412	1,161,099	1,266,003
Interest and fiscal charges	1,801,684	2,228,101	2,049,958	2,144,106
Bond issuance costs	-	-	-	899,273
Refunding costs	545,225	-	-	-
Total Expenditures	17,604,686	16,930,318	17,761,843	23,301,892
Excess of revenues over (under) expenditures	(901,223)	(153,555)	3,415,686	2,973,344
Other Financing Sources (Uses)				
Capital leases	21,000	-	-	-
Refunding bonds issued	23,846,535	-	-	-
Payment to refunded bond escrow agent	(15,901,877)	-	-	-
Bond proceeds	-	-	-	25,535,000
Premium on bonds	-	-	-	313,969
Discount on bonds	-	-	-	(79,798)
Transfers in	4,801,792	3,282,044	3,545,917	2,457,919
Transfers out	(4,732,461)	(3,281,774)	(3,615,580)	(2,457,919)
Other financing source (uses)	28,703	-	-	-
Total Other Financing Sources (Uses)	8,063,692	270	(69,663)	25,769,171
Net Change in Fund Balances	\$ 7,162,469	\$ (153,285)	\$ 3,346,023	\$ 28,742,515
Debt Service as a percentage of non-capital expenditures	15.9%	18.0%	18.3%	18.9%

Source: City of Loma Linda Finance Department

CITY OF LOMA LINDA
General Governmental Tax Revenues By Source
Last Ten (10) Fiscal Years
(modified accrual basis of accounting)

Fiscal Year	Property Taxes	Sales & Use Tax	Franchise Fees	Transfer Tax	Transient Tax	Business License	Utility Users Tax	Misc. Taxes	Total
1997	\$ 551,478	\$ 1,531,308	\$ 241,716	\$ 15,386	\$ 4,197	\$ 164,975	\$ 138,271	\$ -	\$ 2,647,331
1998	551,740	1,751,378	323,964	25,723	7,602	167,104	-	6,257	2,833,768
1999	560,954	2,395,957	301,731	26,269	7,453	195,932	-	5,613	3,493,909
2000	605,285	2,315,983	309,788	50,023	7,477	220,451	-	6,782	3,515,789
2001	626,200	2,706,632	374,648	46,652	11,005	199,903	-	7,322	3,972,362
2002	661,667	2,700,666	414,011	-	8,864	215,836	-	7,512	4,008,556
2003 (1)	717,556	2,668,674	350,577	49,679	8,809	181,375	-	7,711	3,984,381
2004	788,870	2,082,820	442,994	68,036	8,319	230,221	-	7,380	3,628,640
2005	773,978	2,602,439	466,528	127,641	5,056	250,077	-	9,748	4,235,467
2006	843,211	2,848,889	522,074	116,371	57,665	272,076	-	6,995	4,667,281

Includes General Fund

Source: City of Loma Linda Finance Department.

CITY OF LOMA LINDA

Assessed Value And Estimated Actual Value Of Taxable Property Last Ten (10) Calendar Years

Fiscal Year Ended December 31	Real Property		Personal Property	Less: Tax Exempt Real Property	Total Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
	Residential Property	Commercial Property						
1997	\$ 946,635,468	\$68,331,426	\$ 185,791,967	\$452,326,673	\$ 748,432,188	0.415%	\$1,200,758,861	100%
1998	967,483,881	70,482,252	322,595,749	608,712,269	751,849,613	0.400%	1,360,561,882	100%
1999	988,158,991	66,680,299	284,935,225	579,529,207	760,245,308	0.395%	1,339,774,515	100%
2000	990,464,466	66,360,564	307,983,870	570,157,520	794,651,380	0.391%	1,364,808,900	100%
2001	1,228,154,314	89,990,866	101,191,111	610,721,199	808,615,092	0.374%	1,419,336,291	100%
2002	1,324,656,098	106,899,971	107,676,515	660,235,056	878,997,528	0.425%	1,539,232,584	100%
2003	1,242,465,861	98,931,456	116,849,979	536,238,174	922,009,122	0.418%	1,458,247,296	100%
2004	1,333,287,807	103,934,170	116,523,967	550,596,709	1,003,149,235	0.425%	1,553,745,944	100%
2005	1,397,437,178	111,096,540	114,929,551	477,868,692	1,145,594,577	0.417%	1,623,463,269	100%
2006	1,618,417,632	109,725,510	124,296,187	601,900,034	1,250,539,295	0.496%	1,852,439,329	100%

Sources: HdL Coren & Cone, San Bernardino County Assessor combined tax rolls

CITY OF LOMA LINDA

Property Tax Rates

Direct and Overlapping Government

Last Ten (10) Fiscal Years

Fiscal Year	Tax Rate Area (1)	General Tax Levy	Loma Linda	Schools Colton Unified	Redlands Unified	Water	Total
1997	13004	1.0000%	0.0400%		0.0437%	0.0870%	1.1707%
	All other Areas	1.0000%			0.0437%	0.0870%	1.1307%
1998	13004	1.0000%	0.0391%		0.0485%	0.1070%	1.1946%
	All other Areas	1.0000%			0.0485%	0.1070%	1.1555%
1999	13004	1.0000%	0.0384%		0.0485%	0.1070%	1.1939%
	All other Areas	1.0000%			0.0485%	0.1070%	1.1555%
2000	13004	1.0000%	0.0376%		0.0482%	0.1070%	1.1928%
	All other Areas	1.0000%			0.0482%	0.1070%	1.1552%
2001	13004	1.0000%	0.0365%		0.0444%	0.1070%	1.1879%
	All other Areas	1.0000%			0.0444%	0.1070%	1.1514%
2002	13004	1.0000%	0.0354%		0.0133%	0.1420%	1.1907%
	All other Areas	1.0000%			0.0133%	0.1420%	1.1553%
2003	13004	1.0000%	0.0344%		0.0351%	0.1400%	1.2095%
	(2)	1.0000%		0.0604%		0.1400%	1.2004%
	All other Areas	1.0000%			0.0351%	0.1400%	1.1751%
2004	13004	1.0000%	0.0331%		0.0797%	0.1400%	1.2528%
	(3)	1.0000%		0.7840%		0.1400%	1.9240%
	All other Areas	1.0000%			0.0797%	0.1400%	1.2197%
2005	13004	1.0000%	0.0322%		0.0658%	0.1400%	1.2380%
	(4)	1.0000%		0.0814%		0.1400%	1.2214%
	All other Areas	1.0000%			0.0658%	0.1400%	1.2058%
2006	13004	1.0000%	0.0442%		0.0615%	0.1600%	1.2657%
	(5)	1.0000%		0.0593%		0.1600%	1.2193%
	All other Areas	1.0000%			0.0615%	0.1600%	1.2215%

Note: (1) The City has 44 Tax Rate Areas (TRA)

(2) In 2003, TRA's 13001, 13002, 13018 and 13041 included 0.0604% for Colton Unified

(3) In 2004, TRA's 13001, 13002, 13018 and 13041 included 0.0784% for Colton Unified

(4) In 2005, TRA's 13001, 13002, 13018 and 13041 included 0.0814% for Colton Unified

(4) In 2006, TRA's 13001, 13002, 13018 and 13041 included 0.0593% for Colton Unified

Source: San Bernardino County Auditor-Controller-Recorder

CITY OF LOMA LINDA
Principal Property Taxpayers
June 30, 2006

Taxpayer	2006			1996		
	Assessed Valuation	Rank	Percentage of Total Taxable Assessed Value	Assessed Valuation	Rank	Percentage of Total Taxable Assessed Value
General American Life Insurance Co.	\$ 35,139,534	1	5.63%	\$ 26,523,633	2	6.28%
Loma Linda University ¹	618,197,503	2	3.99%	470,054,852	1	8.54%
Loma Linda Heritage Associates	19,485,650	3	3.14%	16,677,052	3	4.39%
Oasis Townhomes LLC	22,047,914	4	1.96%			
Emeritus Properties XVI	9,484,309	5	1.49%			
Monterey Pines LLC	9,304,578	6	1.46%			
Loma of California Health Center	8,980,728	7	1.41%			
Lewis Investment Company	8,305,807	8	1.28%			
Loma Linda Plaza Partners	7,128,701	9	1.12%			
Benton Coles Properties, Inc.	7,092,640	10	1.12%			
Don R. Norman Trust				9,036,964	4	2.40%
Francis Court VI				7,813,672	5	2.08%
Capital Consultants, Inc.				7,770,606	6	2.07%
Lomega, Inc.				6,636,288	7	1.76%
R. Clifford & E. Dining				6,468,000	8	1.65%
Spreen Investment Company				4,805,515	9	1.32%
California Drive In Theatres, Inc				4,346,612	10	1.19%
	<u>\$ 745,167,364</u>		<u>22.60%</u>	<u>\$ 560,133,194</u>		<u>31.68%</u>

Note: The amounts shown above includes assessed value data for both the City and the Redevelopment Agency.

¹ Loma Linda University is a learning institution; therefore, a large portion of their property is exempt.

Source: The HdL Companies, San Bernardino County Assessor Combined Tax Rolls

CITY OF LOMA LINDA
Property Tax Levies And Collections
Last Ten (10) Fiscal Years

Fiscal Year Ended June 30	Total Tax Levy for Fiscal Year		Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
			Current Tax Collections	Percent of Current Taxes Collected		Amount	Percentage of Levy
1997	\$	564,470	\$ 531,816	94.2%	\$ 245	\$ 532,061	94.3%
1998		564,240	533,413	94.5%	400	533,813	94.6%
1999		572,094	544,039	95.1%	871	544,910	95.2%
2000		603,549	576,977	95.6%	2,104	579,081	95.9%
2001		628,771	606,154	96.4%	4,177	610,331	97.1%
2002		654,976	639,612	97.7%	9,137	648,749	99.0%
2003		694,866	681,648	98.1%	10,072	691,720	99.5%
2004		750,483	749,529	99.9%	18,799	768,328	102.4%
2005		849,616	828,805	97.6%	53,576	882,381	103.9%
2006		844,135	814,547	96.5%	-	814,547	96.5%

Source: San Bernardino County Auditor-Controller
Property Tax Division

¹ Data for collections in subsequent years is not readily available prior to fiscal year 200

CITY OF LOMA LINDA
Ratios Of Outstanding Debt By Type
Last Ten (10) Fiscal Years

Fiscal Year	Governmental Activities				Business-Type Activities			Total Primary Government	Percentage of Personal Income	Per Capital
	Capital Leases	Loans Payable	Tax Allocation Bonds	Revenue Bonds	General Obligation Bonds	Capital Leases	Water Bonds			
1997	\$ -	\$ 12,920	\$ 6,095,000	\$12,670,868	\$ 390,000	\$ -	\$10,000,000	\$29,168,788	5.52%	\$ 1,381
1998	-	9,501	5,920,000	12,207,802	355,000	-	9,855,000	28,347,303	5.01%	1,327
1999	-	5,871	5,735,000	11,727,471	290,000	-	9,700,000	27,458,342	7.32%	1,478
2000	-	2,016	5,545,000	11,224,755	225,000	-	9,535,000	26,531,771	4.17%	1,190
2001	-	-	5,345,000	10,750,000	160,000	-	9,360,000	25,615,000	4.42%	1,319
2002	-	-	5,135,000	10,255,000	100,000	-	9,175,000	24,665,000	4.15%	1,256
2003	494,687	-	12,610,000	10,210,000	30,000	324,912	8,980,000	32,649,599	5.25%	1,621
2004	393,276	-	12,610,000	9,555,000	30,000	258,312	8,775,000	31,621,588	4.62%	1,509
2005	287,177	-	12,230,000	8,880,000	20,000	188,635	8,555,000	30,160,812	N/A	1,397
2006	176,174	-	37,305,000	8,185,000	20,000	115,737	8,320,000	54,121,911	N/A	2,470

Note: Details regarding the government's outstanding debt can be found in the notes to the financial statements.

¹ See the Schedule of Demographic and Economic Statistics on page 138 for personal income and population.

Source: City of Loma Linda Finance Department

CITY OF LOMA LINDA
Ratios Of General Bonded Debt Outstanding
Last Ten (10) Fiscal Years

Fiscal Year	General Obligation Bonds	Less: amounts Available in Debt Service Fund	Total	Percentage of Estimated Actual Taxable Value of Property ¹	Per Capita ²
1997	\$390,000	-	\$390,000	0.032%	\$18
1998	355,000	-	355,000	0.026%	17
1999	290,000	-	290,000	0.022%	16
2000	225,000	-	225,000	0.016%	10
2001	160,000	-	160,000	0.011%	8
2002	100,000	-	100,000	0.006%	5
2003	30,000	-	30,000	0.002%	1
2004	30,000	-	30,000	0.002%	1
2005	20,000	-	20,000	0.001%	1
2006	20,000	-	20,000	0.001%	1

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

¹ See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property on Page for the property value data

² Population data can be found in the schedule of Demographic and Economic Statistics on page .

Source: City of Loma Linda Finance Department

CITY OF LOMA LINDA
Direct And Overlapping
Governmental Activities Debt
As Of June 30, 2006

2005-2006 Assessed Valuation	\$ 1,250,853,838		
Redevelopment Incremental Valuation	\$ 500,939,032		
Adjusted Assessed Valuation	<u>\$ 749,914,806</u>		
	Total Debt	Percent	
DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	6/30/06	Applicable (1)	Debt 6/30/06
San Bernardino Valley Joint Community College District	\$ 67,292,550	2.339%	\$ 1,573,973
Colton Joint Unified District	100,409,877	0.136%	136,557
Redlands Unified School District	71,498,512	10.296%	7,361,487
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT			<u>\$ 9,072,017</u>
DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT:			
San Bernardino County General Fund Obligations	\$885,315,000	0.792%	\$ 7,011,695
San Bernardino Country Pension Obligations	761,360,591	0.792%	6,029,976
San Bernardino Municipal Water District Certificates of Participation	5,075,000	3.296%	167,272
Colton Joint Unified School District Certificates of Participation	8,110,000	0.136%	11,030
Redlands Unified School District Certificates of Participation	11,406,783	10.296%	1,174,442
City of Loma Linda Certificates of Participation	8,185,000	100.000%	8,185,000
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT			<u>\$ 22,579,415</u>
Less: San Bernardino Valley Municipal Water District Certificates of Participation			167,272
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT			<u>\$ 22,412,143</u>
GROSS COMBINED TOTAL DEBT			\$ 31,651,432 (2)
NET COMBINED TOTAL DEBT			\$ 31,484,160

- (1) Percentage of overlapping agency's assessed valuation located within boundaries of the city.
(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds, and non-bonded capital lease obligations.

Ratios to 2005-2006 Assessed Valuation:

Total Overlapping Tax and Assessment Debt..... 0.73%

Ratios to Adjusted Assessed Valuation:

Combined Direct Debt (\$8,185,000)..... 1.09%
Gross Combined Total Debt..... 4.22%
Net Combined Total Debt..... 4.20%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/06: \$0

Source: California Municipal Statistics

CITY OF LOMA LINDA
Computation Of Legal Debt Margin
Last Four (4) Fiscal Years

	FISCAL YEAR			
	2003 ¹	2004	2005	2006
Debt Limit	\$ 34,575,342	\$ 38,235,655	\$ 43,566,906	\$ 47,509,395
Total net debt applicable to limit	30,058,784	33,209,886	32,882,692	31,484,160
Legal debt margin	\$ 4,516,558	\$ 5,025,769	\$ 10,684,214	\$ 16,025,235
Total net debt applicable to the limit as a percentage of debt limit	86.94%	86.86%	75.48%	66.27%
Net Assessed Value				\$ 1,250,853,838
Plus Exempt Property				16,063,351
Total Assessed Value				<u>\$ 1,266,917,189</u>
Debt Limit: 3.75 percent of Total Assessed				\$ 47,509,395
Debt applicable to Limitation:				\$ 31,484,160
Total Debt applicable to Limitation				\$ 31,484,160
Legal Debt Margin				<u>\$ 16,025,235</u>

1 Information prior to Fiscal Year 2003 is not available

Note: The general laws of the State of California for municipalities provide for a legal debt limit of 15% of gross assessed valuation. However, this provision was enacted when assessed valuation was established based on 25% of market value. Effective with FY 1981-1982, taxable property is assessed at 100% of market value. Although the debt limit provision has not been amended by the State since this change, the percentage has been proportionally modified to 3.75% for the purpose of this calculation for consistency with the original intent of the State's debt limit.

Source: California Municipal Statistics, San Bernardino County
Auditor-Controller Property Tax Division

CITY OF LOMA LINDA
Pledged-Revenue Coverage
Water Revenue Bonds
Last Ten (10) Fiscal Years

Fiscal Year	Water Revenue Bonds					Tax Allocation Bonds			
	Gross	Operating	Net Revenue	Debt Service	Coverage	Tax	Debt Service		
	Revenues	Expenses Less Depreciation	Available for Debt Service				Principal	Interest	Coverage
1997	\$ 2,738,329	\$ 1,863,785	\$ 874,544	\$ 801,288	109.1%	\$ -	\$ -	\$ -	0
1998	2,680,391	2,460,977	219,414	798,537	27.5%	-	-	-	0
1999	2,950,903	2,355,763	595,140	798,537	74.5%	-	-	-	0
2000	2,925,489	2,209,470	716,019	798,537	89.7%	-	-	-	0
2001	3,006,841	2,075,385	931,456	798,787	116.6%	-	-	-	0
2002	3,216,759	2,614,640	602,119	799,487	75.3%	-	-	-	0
2003	3,504,815	2,586,880	917,935	757,281	121.2%	-	-	-	0
2004	3,412,107	2,626,562	785,545	757,281	103.7%	3,041,668	-	399,723	7.61
2005	3,518,424	2,969,287	549,137	757,281	72.5%	3,511,628	380,000	518,850	3.91
2006	4,187,141	3,800,678	386,463	770,681	50.1%	4,772,247	460,000	509,875	4.92

Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements.
Operating expenses do not include interest or depreciation

Source: City of Loma Linda Finance Department.

CITY OF LOMA LINDA
Demographic And Economic Statistics
Last Ten (10) Fiscal Years

Fiscal Year	Population ²	Personal Income ³	Per Capita Personal Income ⁴	Loma Linda Academy (Private) Enrollment ⁵	Bryn Mawr Elementary Enrollment ⁶	Redlands School District Enrollment ⁶	Unemployment Rate (percentage) ⁷
1997	21,115	\$ 528,825,175	\$ 25,045	1555	927	17,950	n/a
1998	21,357	565,362,504	26,472	1666	869	18,587	n/a
1999 ¹	18,582	375,159,900	20,189	1682	873	18,781	5.0
2000	22,299	636,948,636	28,564	1674	859	19,006	2.9
2001	19,418	579,316,612	29,834	1703	891	19,411	3.0
2002	19,636	594,617,352	30,282	1659	947	19,862	3.6
2003	20,136	622,282,944	30,904	1597	919	20,285	3.7
2004	20,952	683,873,280	32,640	1567	893	20,643	3.4
2005	21,592	n/a	n/a	1526	896	21,135	3.0
2006	21,912	n/a	n/a	1511	880	21,936	n/a

Sources: ¹ 1999 population and per capita personal income is gathered from the 2000 Census

² State of California, Department of Finance

³ Personal income is calculated by multiplying per capita personal income and population

⁴ Calculation based on the 2000 Census: Loma Linda's personal income per capita is 1.3% of the total County of San Bernardino's income; therefore, the City used the constant 1.3 percentage of the County's income per capita to determine the City's personal income amount.

⁵ Loma Linda Academy's registrar's office

⁶ Redlands School District

⁷ Employment Development Department's Labor Market Information Department

CITY OF LOMA LINDA

Principal Employers

Current Fiscal Year

Employer	Employees	Rank	Percentage of total City Employment
Loma Linda Children's Hospital Loma Linda Community Medical Center Loma Linda University Medical Center	* 6,211	1	41.86%
Loma Linda University	2,403	2	16.20%
Jerry L. Pettis Veteran's Hospital	1,484	3	10.00%
Total	10,098		68.06%

Note: Data prior to fiscal year 2005-2006 is not available

* Totals combined

Sources: Top Employers provided by the Inland Empire Business Journal's Book of Lists
Total number of jobs within City limits provided by Employment Development Department,
Labor Market Information Division

CITY OF LOMA LINDA

Full-Time Equivalent City Government Employees By Function

Last Ten (10) Fiscal Years

Function	FULL-TIME EQUIVALENT EMPLOYEES AS OF DECEMBER 31									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
General government	38.5	42	44	43	44.5	43.5	40	42.5	43	44
Public safety										
* Sheriff										
Officers	11.9	11.9	11.9	11.9	11.9	11.9	11.9	11.9	11.9	11.9
Civilians	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2
Fire										
Firefighters and officers	31	38.5	37.5	38.5	33.5	31	35	29	29	27
Civilians	4.5	4.5	4	6	6.5	6	5	4	2	2
Highways and streets										
Maintenance	2	2	2	2	3	3	3	3	3	3
LL Connected Communities	-	-	-	-	-	-	-	2	4	4.5
Sewer	2	2	2	2	2	2	2	2	2	2
Water	10	10	10	10	9	9	9	9	10	10
Total:	103.1	114.1	114.6	116.6	113.6	109.6	109.1	106.6	108.1	107.6

* Sheriff services are contracted through the County of San Bernardino Sheriff's Dept.

Source: City of Loma Linda Human Resources

CITY OF LOMA LINDA
Operating Indicators By Function
Last Four (4) Fiscal Years

Function	FISCAL YEAR			
	2003	2004	2005	2006
Sheriff				
Calls for service	16,833	15,530	15,919	16,070
Citations	232	2,220	1,519	1,571
Physical arrests	301	390	450	414
Fire				
Total number of calls answered	2551	2910	2734	2788
% of calls for medical aid	n/a	n/a	67.8	72.8
Highways and streets				
Street resurfacing (miles)	n/a	7.68	5	8.81
Potholes repaired	57	33	28	24
Water				
New connections	36	12	247	194
Water main breaks	54	15	27	23
Average daily consumption (acre foot)	14.21	15.60	14.76	14.77
Wastewater				
Average daily sewage treatment (million gallons)	3	3	3	3

Note: Sheriff services are contracted through the County of San Bernardino Sheriff's Dept.
Sewer treatment is contracted through the City of San Bernardino

Sources: City of Loma Linda Public Works and Fire Departments, and San Bernardino
Sheriff's Department

CITY OF LOMA LINDA
Capital Asset Statistics By Function
Last Four (4) Fiscal Years

Function	FISCAL YEAR			
	2003	2004	2005	2006
Public safety				
* Sheriff				
Stations	1	1	1	1
Patrol Units	5	5	5	5
Fire Stations	1	1	1	1
Vehicles	19	19	13	13
Highways and streets				
Streets (miles)	40.94	43.66	62.97	62.97
Streetlights	n/a	n/a	n/a	1,359
Culture and recreation				
Parks	10	10	10	12
Park acreage	74.43	74.43	74.43	84.39
Tennis courts	2	2	2	4
Senior center	1	1	1	1
Water				
Water mains (miles)	47.60	49.17	52.65	52.65
Fire hydrants	n/a	n/a	n/a	894
Maximum daily capacity (gallons per minute)	5652	7165	8525	8220
Sewer				
Sanitary sewers (miles)	47.46	49.82	52.88	52.88
Storm sewers (miles)	13.44	14.28	20.15	20.15

* Sheriff services are contracted through the County of San Bernardino Sheriff's Dept.

Sources: City of Loma Linda Public Works and Fire Departments, San Bernardino
County Sheriff's Department



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